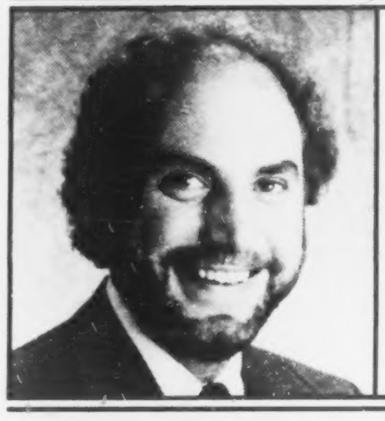
EDITORIAL

Inconsistency Is a Maddening Problem

I spent the better part of day recently at a newly reopened and remodeled Caldor store in Bricktown, N.J. The store represents the Norwalk, Conn.-based discounter's "May-less" strategy to bolster sales and strengthen its position in competitive markets throughout the Northeast corridor.



TONY LISANTI
Editor

The Bricktown store, which was reopened after a fire late last year, was impressive—bright new colors and signs, new logo, new fixtures, revamped adjacencies. Overall it was a neat and exciting look, and most important, the store was well-stocked, a big problem for Caldor in the past.

As I walked the store with Caldor executives Don Clarke, Marc Balmuth and Bob Schauman, I listened attentively as they explained life after May. I was impressed with their plans, their ideas, their commitment, their sincerity, and their new store (see story, page 1).

But, like, Scott Ostler, a columnist for *The National*, the new daily sports newspaper, I'm mad! Here's why: After I left Bricktown, I visited the Caldor store in West Paterson, N.J., which was also remodeled recently, to make a comparison and to see if this store was consistent with the "May-less" plan outlined by Clarke and Balmuth earlier that day.

In his column, Ostler asked and answered the question "What am I mad about?" Well, unlike Ostler, I'm not mad about Jim Valvano and N.C. State or Don Fehr and the baseball "lockout," I'm upset about the inability of discounters to maintain consistency throughout their stores. And every executive, store manager, clerk, and customer should be mad too. From Bricktown to West Paterson, there were out-of-stocks, unkempt aisles and displays and poor service. But, then again, Clarke admitted "We're not as good as we want to be, but we're methodically going about it, item by item."

Don't sit back and say "I'm glad he's not writing about *my* chain." Because this scenario applies to almost every retailer on *DSN's* top 150 list. In recent months, I've experienced lapses in consistency at K mart, Target, Ames, Bradlees, etc., and yes, even Wal-Mart and Toys "R" Us, which have earned reputations as "cookie cutter" concepts.

If I can order a McDonald's Big Mac that is exactly the same whether I'm in New Jersey or California, then why can't I go into discount stores that are only a few miles apart and get the same sale item or the same level of customer service?

Why is consistency so important? Because things like stock, service, and store design—or the lack of them—impact the bottom line. They drive customers away. And unfortunately many retailers can't drive away any more customers then they may have done already.

Caldor admittedly has more progress to make in its turnaround strategy and separation from May. But plans must be implemented in *every* store for an entire chain to succeed.

IMRA PRESIDENT'S CORNER

A Blockbuster Convention Awaits Discounters

The key event each year for the IMRA and the discount industry is the Annual Convention. This year's confab will be held in San Diego, Calif., at the Marriott Hotel and San Diego Convention Center from May 12 to 16.

RICHARD HERSH

Headed by Sportmart's Larry Hochberg, the retailer committee has put together a blockbuster of a convention highlighted by such speakers as former President Ronald Reagan, NBC's The McLaughlin Group, "Today Show" weatherman Willard Scott, PBS' Hodding Carter, futurist Marvin Cetron, football Hall of Famer Terry Bradshaw and headline entertainer Kenny Loggins.

Each year it becomes more difficult to "top" last year's program, but with the able assistance of the IMRA Associate Member Committee, chaired by Joe Clary of L'Eggs, this year's program looks like it will take the prize, hands down!

Breaking news issues will be the focus on the Sunday afternoon presentation of The McLaughlin Group, with the usual wit, sarcasm and insightful comments that have become a hallmark of this lively and unrehearsed television program.

On Monday morning the IMRA will present a look into the future needs of retailers in the discount industry. A presentation by du Pont will show you what the consumer's expectations are, have been and what they will be. Following this presentation, will be the first of a series in the IMRA/Associate Member Partnership Programs. With Jack Shewmaker as the presenter and with an update of the Ambassador Card Consumer Study, this session promises to bring special insights into how retailers and their vendors must work together in the future.

Following these presentations is a very special President's Roundtable Discussion moderated by John McLaughlin and focusing on the morning's program.

Of course, nothing needs to be said about Monday afternoon's speaker, President Ronald Reagan.

Tuesday's programming will be no less dramatic: A look into the future of technology and consumers by Marvin Cetron; two special concurrent sessions, one dealing with the impact of the environment and environmental responsibilities of retailers, and the other dealing with the "New Retailer/Vendor Partnership."

Following a luncheon presentation by former State Department press secretary Hodding Carter, there will be a program on another hot issue, "Everyday Low Pricing vs. Sale Pricing," presented by Ohio State University.

Add in the special programs like personal finances for spouses, trips to the world famous San Diego Zoo, the annual IMRA/Newell bash on Monday night, the IMRA marketplace of goods and services to the industry and the closing banquet, featuring one of the most exciting entertainers today, Kenny Loggins, and you have just about the perfect mix of social, business and fun activities.

Look in your mail for updated literature or call IMRA in New York for further information.

READERS' REPLY

Dear Editor:

On behalf of the Hobby Industries of America, I applaud Mary Ellen Kelly's article, "Discounters Poised to Exploit Growing Crafts Craze" (*DSN*, Feb. 12). Rarely have I had the pleasure of reading an article both so timely and so accurately crafted. The questions Ms. Kelly posed to me as she was researching the article clearly reflected that she had done her homework prior to conducting her interviews.

The craft industry is indeed emerging, in the words of the article's opening paragraph, ". . . as the next home fashion-oriented categories primed to be exploited by mass merchants." Since the beginning of 1990, both K mart and Montgomery Ward have made known their re-entry to this growing, lucrative market. While nationwide manufacturing is experiencing slumping sales, craft manufacturers are profiting from an increasing demand for their merchandise, an expansion of investment dollar directed into the industry, and a growing base of retailers anxious to merchandise craft product.

If, as is often said, the January HIA Trade Show is a bellwether of the year to come in the craft industry, then industry expansion has only begun to be felt. The show, the largest in HIA's 50-year history, occupied over 300,000 square feet of exhibit space. We had to disappoint dozens of manufacturers whose requests for booths we were unable to fulfill due to space limitations.

Discount Store News has captured the moment with its report on an industry poised on the edge of phenomenal growth.

—Susan Brandt, director of communications
Hobby Industries of America, Elmwood Park, N.J.

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We welcome our readers' views, whether pro or con. Letters to the editor should be addressed to: **Editor, *Discount Store News*, 425 Park Ave., New York, NY 10022.**

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Kids' Brands Grow On Chains

Discounters Strive to Keep on Top Of Changing Definitions of Value

By Jill Lettich
Special to DSN

Recognizable, national branded names are winning over consumers buying children's wear, but value remains the deciding factor in the market, according to discounters.

With demographics showing older parents having a first and often only child, and grandparents living longer, more money than ever is available to dress up the little tykes. Discounters are riding the fine line between capturing these consumer dollars and still offering the best bargain.

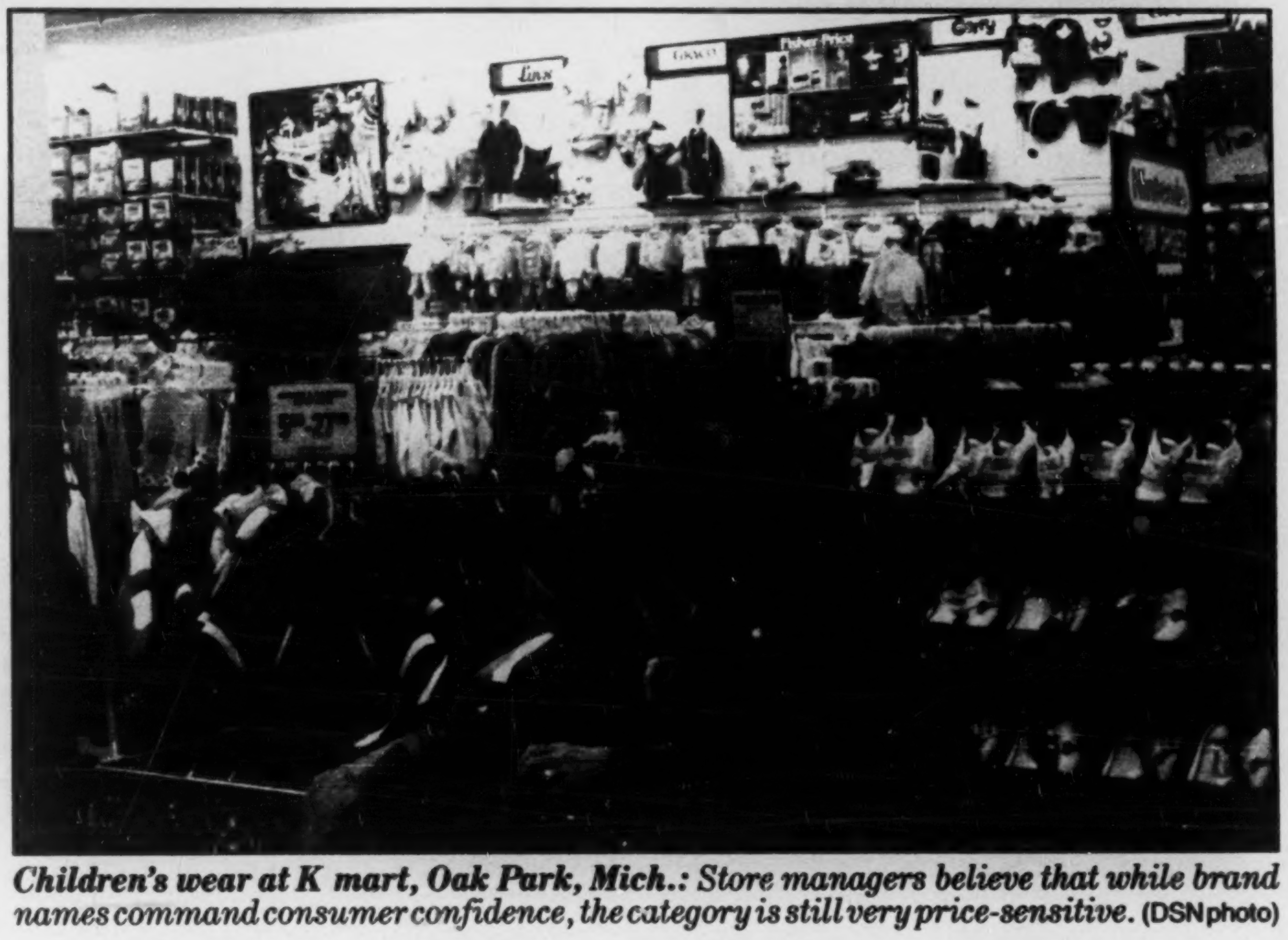
Brand names, fashion and quality are growing concerns for discounters, as they try to balance the value equation. What has changed, according to a number of retailers, is the definition of value. It no longer refers to price alone but encompasses the characteristics of fashion and quality as well.

"It's been beaten to death, but fashion at a price is still the major concern," said Chuck Rilling, vice president, general merchandise manager, men's, children's, infants' and toddlers', Ames Department Stores, Rocky Hill, Conn.

Brand names in general inspire confidence and the feeling that consumers are getting quality merchandise. David Potter, vp, gmm, Prange Way, Green Bay, Wis., noted that in infants' and boys' it is especially important, while for girls', fashion is a more vital characteristic.

"We're really in a fashion cycle right now, so that is what's selling. We're

(Continued on page 55)



Children's wear at K mart, Oak Park, Mich.: *Store managers believe that while brand names command consumer confidence, the category is still very price-sensitive.* (DSN photo)

Shoppers Prefer Discount Stores for Kids' Wear

Nationwide DSN Report

More consumers shopped discount department stores for children's apparel last year than any other type of retail outlet. However, Sears was the No. 1 source of children's clothing among American consumers, according to a nationally projectable survey.

The survey, conducted for *Discount Store News* by Leo J. Shapiro and Associates, the Chicago-based market research firm, revealed that the leading individual retailers for children's apparel are, in order, Sears, JCPenney, K mart and Wal-Mart.

Overall, discount department stores, including K mart, Wal-Mart and others, were shopped by 29 percent of consumers last year, the largest single category.

Where Boys', Girls' and Infants' Clothes Are Purchased

	Past Year	Next Year
Discount Stores (net)	28.8%	25.9%
K mart	8.9	9.7
Wal-Mart	7.0	7.6
Sears	20.9	20.5
JCPenney	13.6	12.9
Department Stores (net)	20.9	20.5
Apparel Stores (net)	9.9	8.3
Children's Clothing Stores (net)	8.6	7.6

Source: *Leo J. Shapiro & Associates for* Discount Store News

Sears, by itself, tied full-price department stores, with 21 percent of shoppers last year, followed by JCPenney (14 percent), apparel stores (10 percent) and children's clothing stores (9 percent).

The ranking of Sears, JCPenney, K mart and Wal-Mart for general preferences holds steady for past and future apparel purchases for girls' and boys' under 14. But when it comes to infants' apparel the order changes.

Sears remains the store of choice among purchasers of infants' apparel both for purchases made in the past year and for those planned for the coming 12 months.

Wal-Mart jumped into second place, tied with JCPenney, among purchasers of infants' apparel in the past year. K mart was fourth.

Among those planning to buy infants' apparel in the coming year, Sears is mentioned most often as the store in which they will shop, followed by Penney, Wal-Mart, then K mart.

Parents, the primary purchasers of children's apparel, spent more on apparel, in general, than grandparents or gift givers and more on boys' apparel last year than on girls' clothing. But in the coming year, parents reported that they spend more on girls' apparel and less on boys' and infants' clothing.

Grandparents, apparently, will make up the spending difference. And they will spend more on girls' apparel, too, according to survey results.

Grandparents, a major contributor to apparel purchases for children under 14, reported that they spent an average of $69.50 on infants' apparel last year and will increase their outlays to $103.30 this year. For older children, grandparents said they spent $171.50 on boys' clothing and

(Continued on page 26)

MARKETWATCH

Homemade Is Cost-Effective

SPARTANBURG, S.C. — Special occasion dresses in girls' sizes 4 to 6 were found to represent the greatest savings when they are homemade as opposed to store-bought, based on a recent survey conducted by Dritz, based here. Dritz, a leading supplier of notions for the home sewing market, estimated that higher-quality, lace-trimmed dresses in this size spectrum could be produced for $18 to $25. The independent cost comparison study, conducted in the New York and Connecticut markets, found that prices for these dresses at area department stores ranged from $35 to $144. Discounter prices were $14.99 to $24.99, but "selection was extremely limited, and the quality was questionable." At the other end of the spectrum, clothing in this size range that was found least cost-effective to create at home included T-shirts (at-home prices ranged between $11 to $13, while discount and department store prices ranged between $5.99 and $9).

ASTM Sets Care Labeling Seminar

PHILADELPHIA — A seminar on care labeling symbols, sponsored by the American Society for Testing and Materials standards writing committee D-13 on Textiles, will be held March 28 from 2 p.m. to 5 p.m. at the Sheraton Hotel in New Orleans. Among the topics to be discussed: international and technological differences in regards to developing a usable international standard for these picture symbols. Committee D-13 is one of 134 ASTM technical standards writing committees.

Wrangler's Sales Lineup Reshuffled

GREENSBORO, N.C. — Five executives have been promoted in the recent restructuring of Wrangler's sales force. Timothy Lambeth was named vp, retail marketing, from vp, finance and administration. He will direct the jean maker's entire sales effort. Stephen W. Morton was promoted to vp, field sales—East, from areas sales vp, Chicago. Warren C. "Casey" Jones Jr., became vp, field sales—West, from area sales vp—Dallas. John V. Papson is now vp, chain sales, from area sales vp—New York. Brian J. Goldberg was named vp, retail services, from director of retail sales.

Children's Apparel Survey

(Continued from page 25)

$157.20 on girls' apparel last year. In the coming year, grandparents said they will spend $216.10 on boys' and $192.90 on girls' apparel.

Parents of children under 14 who also have an infant spent $101.90 last year on infants' apparel and will spend $71 this year. The spending decline could be due to stockpiles of clothes from older children.

There was no clear reason for decreased spending on boys' apparel, nor was there an explanation of why spending on girls' apparel will increase, other than possibly balancing last year's spending trend in favor of boys' apparel.

Overall, respondents said they spent a mean $254.20 on boys' apparel for a child who was a mean 8.6 years of age last year, $227.70 on a girl of a mean age of 7.2 years and $95.90 on infants' apparel. In the coming year, these same respondents said they will spend a mean of $272.50 on girls' apparel, $261.80 on boys' and $120.70 on infants'.

In comparison, parents of boys under 14 said they spent $297.10 last year for their son, a child a mean 7.9 years of age, and will decrease their spending this year to $381.10.

Parents of girls will substantially increase their level of spending in the coming year, to $341.90 from last year's $271.70, for a girl at a mean age of 7.2.

Exactly what do parents, grandparents and gift-givers buy for children? Basics.

Specifically, for boys, among respondents who said they will purchase boys' apparel in the coming year, the leading items were: shirts/blouses, pants/slacks, jeans/overalls, shoes/boots, sweaters, underwear, socks/tights/nylons, coat/snowsuit/jacket, and jogging suit/sweats.

Purchasers of boys' apparel reported they will make relatively few purchases of hats/caps, swimwear, sleepwear/pajamas/gowns/robe, shorts, tops, suits, and T-shirts, according to the survey.

For girls, expected purchases in the coming year included: dresses, pants/slacks, shirts/blouses, shoes/boots, sweaters, shirts, jeans/overalls, and socks/tights/nylons.

Purchasers of girls' apparel said they are least likely to make the following purchases this year: suits, hats/caps, jumpsuit/jump outfit, swim wear, T-shirts, sleepwear/pajamas/gowns/robe, jogging suit/sweats, coat/snowsuit/underwear, shorts, and tops.

For infants, respondents said they will probably purchase: dresses, sleepwear/pajamas/gowns/robe, pants/slacks, shirts/blouses, and shoes/boots. The least likely purchases for infants include: swimwear, tops, suits, hats/caps, coat/snowsuit/jacket, jumpsuit/jump outfit, sweaters, T-shirts, blankets/linens/diapers, jeans/overalls, shorts, socks/tights/nylons, and underwear.

The survey polled 467 people across the country during the first week of February. Respondents were a mean 43.8 years of age, with a median household income of $28,100. The mean number of people in each household was 3.01. However, 54.4 percent of the respondents had three or more persons in their households.

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Silk Flower Sales in Full Bloom

Craft, Specialty Stores Vie With Discounters for Dominance

By Mary Ellen Kelly
Nationwide DSN Report

Discounters are currently the No. 1 channel in sales of artificial silk flowers and plants, based on the latest study conducted by the Hobby Industry of America. But the explosive growth of craft and silk flower specialty stores—both discount and full priced—is threatening that dominance.

Too narrow an assortment of silk flowers, artificial plants and accessories at full-line discount department stores could open the way for new specialty competitors to seriously erode this profitable business.

The shift by Chicago-based Ben Franklin and San Antonio, Texas-based Winn's toward discount craft stores and away from their variety store roots signal an avenue that others might soon take.

Crafts & More, the specialty store division of Ames Department Stores, is flourishing—rapid unit and sales growth are being generated by both freestanding units and those housed within the Ames discount department store. About a half dozen pillars of silk flower stems are positioned at the very front of the store in most of the specialty outlets and are a significant sales and profits contributor.

But the competition does not end with discount and full-priced specialty stores. Home centers, drug stores and supermarkets are also tapping into this lucrative home decor category. Montgomery Ward, which had been leasing 73 silk flower and plant departments to a chain called Silk Plants, Etc., has recently decided to take over operations of that department. The last of the Montgomery Ward Silk Plants, Etc.-run departments was scheduled to close on March 15.

(Silk Plants, Etc., is a 61-unit upper-end chain. Both this chain and Pouliot, an importer of high quality wood trunk trees and custom floral arrangements, were acquired on Jan. 1, 1990 by Foliage Plus, a newly formed vertical company.)

Silk flowers are now commonplace in most retail outlets.

Typical of many full-line discount chains is Fisher's Big Wheel. The Pennslyvania-based discounter's sales of silk plants were up in excess of 50 percent between 1988 and 1989, according to Carl Schwartz, vice president, general merchandise manager, hard lines. The category is expected to surge an additional 20 percent to 25 percent during 1990.

"The category has grown so much because we devote a lot of main aisle space to it," Schwartz noted. "We promote the plants nearly 10 months out of the year. It is a very profitable category for us." The basic silk flower business has not grown much during the past few years, but promotional plant sales "have developed beyond our expectations," he said.

While competitors like K mart and Ames are also aggressive in the category, Fisher's promotes silk plants more frequently than these two chains, said Schwartz. The everyday assortment of silk flowers runs between 12 feet and 16 feet.

Sales, Price Points Climb

Regardless of where the purchases are being made, colors echoing those popular in home fashions are dominating sales. While some manufacturers believe that life-like product is a primary concern for a portion of their customers, the majority assert that "botanically correct" is no longer the driving force. Black, sea foam green and slate blue—while rarely, if ever, found in nature—are the hot new colors, according to executives from top suppliers.

What vendors do agree on is that retailers and consumers are willing to trade-up to higher price points and better quality products. All acknowledge too that silk flowers and plants are no longer a seasonal purchase. While sales peak during certain holidays like Memorial Day, the category generates a solid everyday sales level.

James Kropp, marketing manager with Teters, Bolivar, Mo., said the company has found the market receptive to $1.99 to 2.99 hand-wrapped flowers. Less than a year ago, the market accepted flowers priced 69 cents to 99 cents. Similarly, receptiveness to better grade bush flowers have let price points soar to $4.99 from $1.99.

Teters is also currently testing bushes priced between

(Continued on page 58)

MARKETWATCH

AHAM Reports Slow Shipments

CHICAGO — The Association of Home Appliance Manufacturers (AHAM) said industry shipments are "off to a slower start" this year, overall. Nonetheless shipment levels were high for several product categories including refrigerators, ranges and laundry appliances, which were up 4 percent over January of last year. Microwave oven shipments were down for the fourth straight month; January shipments were down 18 percent compared to 1989. The difference between the two years was due to market saturation. Air conditioner shipments plummeted, down 27 percent. A mild summer in 1989 in contrast to 1988's heat wave was a factor.

Rickel Debuts New HoM Store

SOUTH PLAINFIELD, N.J. — Watch out for a new entry into the hot home fashions specialty arena. Rickel Home Centers opened its first HoM by Rickel store in Toms River, N.J. The store features intensive housewares, bed & bath, decorative and furniture selections, along with a pared down offering of building products. Existing Rickel stores may be converted to the HoM format in the future.

Home Offices to Double in 2 Years

NEW YORK — Home offices should grow to 30 million from 15 million over the next two years, according to Sharp's Paul Allen. And those home office workers will be looking for fax machines in record numbers, he added. Among the features most coveted by consumers in 1990 will be affordable plain paper copying, fax/PC integration, laser printing and, of course, price. "A price war at the lower end will cause manufacturer shakeout," he said, adding that a compact phone/fax/answering machine combo unit will be a hot product in coming years for personal use.

Circuit City Tops $2 Billion in Sales

RICHMOND, Va. — Circuit City topped $2 billion in sales for the first time, a 22 percent sales increase to $2.1 billion from fiscal 1989's $1.72 billion. The chain also turned in a 25 percent increase for February, to $143.2 million, from $114.3 million last year. Comparable store sales for the year rose only 2 percent and for the month, 4 percent. According to president and ceo Richard Sharp, Circuit City plans to enter new markets in fiscal 1991, including Cincinnati and St. Louis.

Best Buy Posts 8 Percent Gain Over Last Year

MINNEAPOLIS — Best Buy Co., reported its first fiscal results under its new fiscal year. According to chief financial officer Allen Lenzmeier, sales increased 8 percent over last year, to $509 million from $471 million, for the 11 month period which ended February 28. The company's fiscal year was shortened by roughly one month due to a change in reporting procedures. Circuit City now operates 125 superstores, 20 smaller stores and four "express" Impulse mall stores.

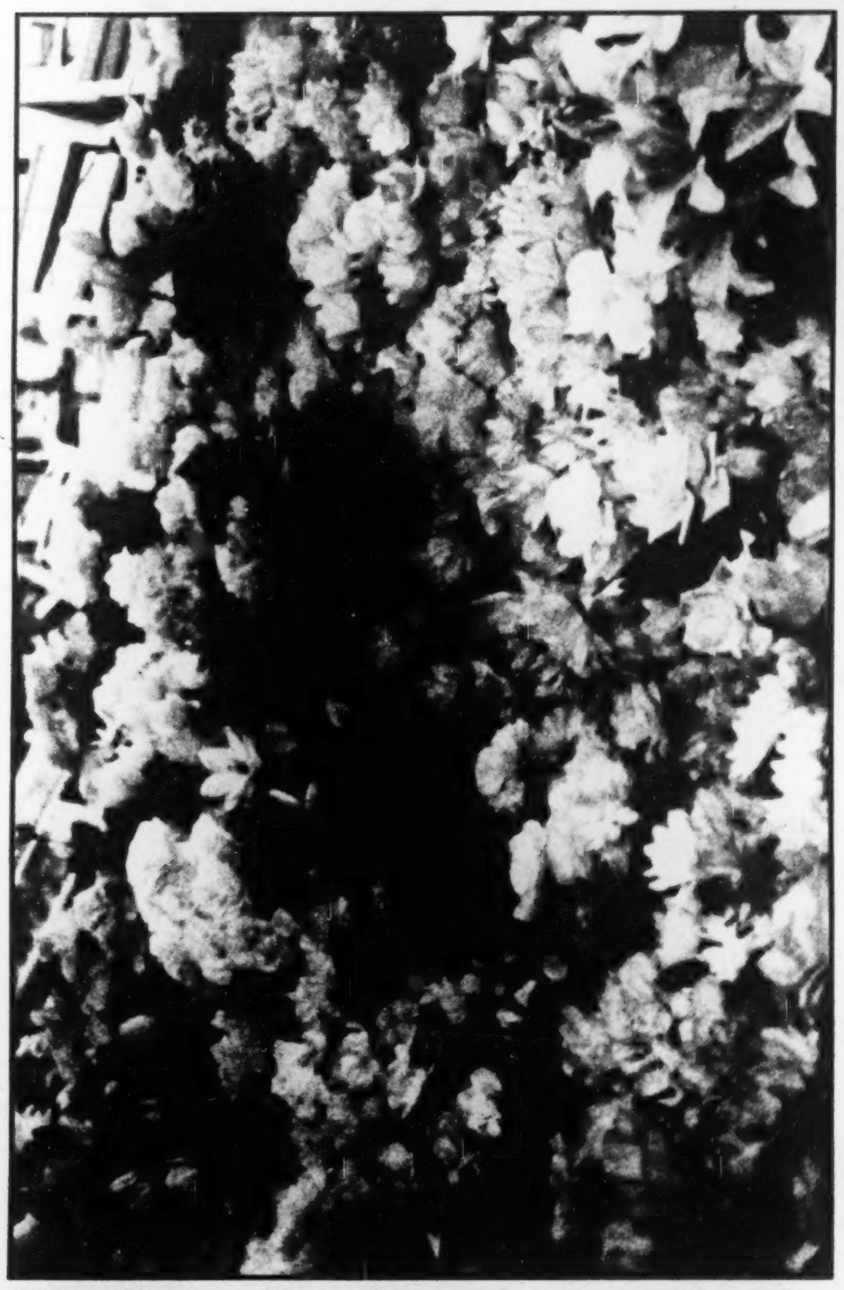
Discounters Vie for Dominance in Silk Flowers

(Continued from page 57)

$7.99 to $9.99 to determine whether additional trade-ups are possible. Teters enjoyed an 18 percent sales increase between 1988 and 1989; double-digit increases are forecasted for 1990.

David Clapp, president of Magic Designs, and vice president of its parent company, Designer Accents, said the company generated a 25 percent sales growth increase between 1988 and 1989; the same percentage rise in business is projected for 1990.

Magic Designs targets the pre-made floral market. Floral arrangements are priced to retail from $10 to $35. All products are imported, primarily from China, Taiwan and the Philippines.



***Bill's, Jackson, Miss.:** Once rooted in cemetery sales, silk flowers now have a fashion focus.* (DSN photo)

According to Clapp, the two areas of product development that are of greatest importance are:

- Integratable colors that work in concert with current home fashion trends;
- Addressing consumer demand for botanically correct blossoms and foliage.

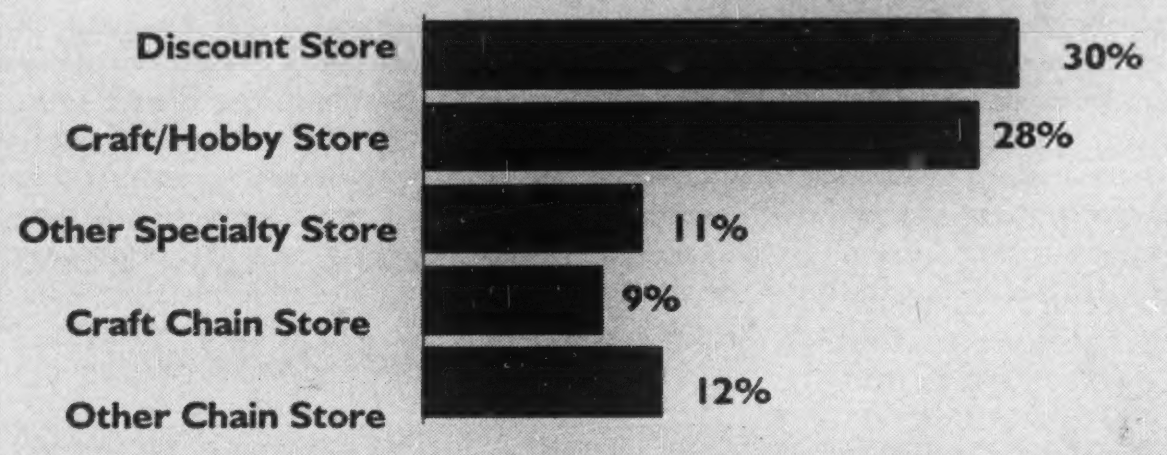
Ira Kleinberg, president of New York-based Reliance Trading, makers of Beauty Silk, Beauty Craft and Beauty Basket foliage, flowers and accessories, said sales between 1988 and 1989 were up 14 percent. Projected increases for 1990 are 23 percent. Kleinberg, who also sees a receptiveness to higher-quality goods, sees two distinct consumer groups that shop the category.

Kleinberg describes the two major silk flower customer types thusly: " 'Karen the Crafter' spends her time and money on the individual items and creates her own arrangements. 'Tilly No Time No Talent' is shopping for ready-made arrangements or easily assembled projects."

Clapp at Magic Designs said that currently mauve, peach and soft blues are selling best but sea foam green and jade are quickly gaining popularity.

Where Consumers Shop for Silk Flowers and Accessories

Percent of Silk Flower Hobbyists who shop at:



Other Stores: Department stores, mail order catalogs and other supply houses.

Source: Hobby Industry of America, "HIA Nationwide Consumer Study" 1988.

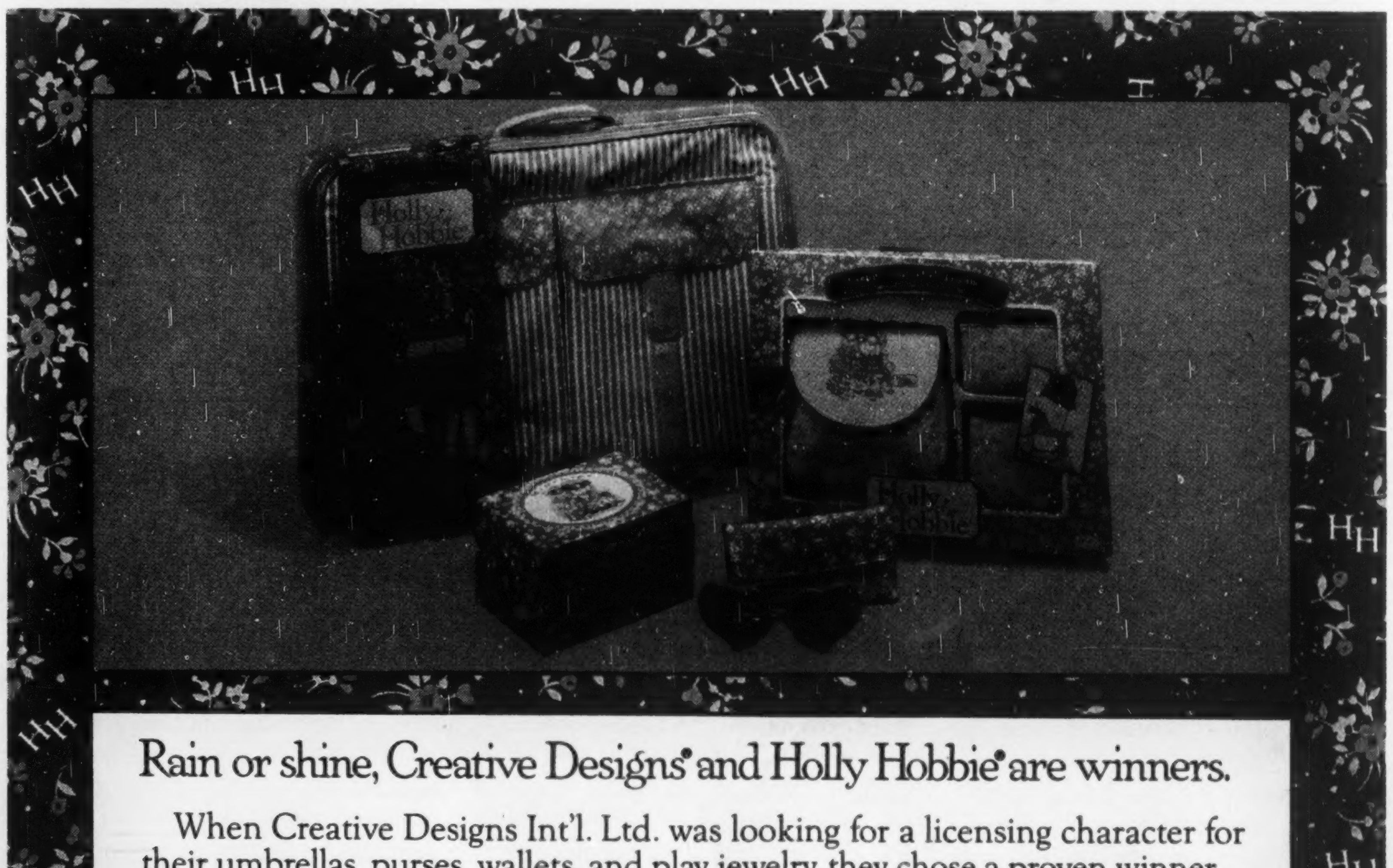
Ira Kleinberg, president of Reliance Trading, divides his silk flower customers into two specific types—'Karen the Crafter' and 'Tilly No Time No Talent'

Kropp at Teters sees four basic growth areas. Victorian colors such as burgundy and darker blue are selling well as are natural or "European" colors like airy pastels. Southwest is growing in two different directions depending upon the region: either bright and vivid tones or dusty pastel shades. The fourth, and most recent color development, has been in black and white. "We will have black flowers in the fall. A total of 15 sku's," said Kropp. Also new in the fall color packs will be a desert rose and smoky blue.

The single fastest growing Teters color is sea foam green. "A year after a color first becomes popular is when it reaches our market. The craft stores react first and discounters are into the color about six months later," Kropp said.

Kleinberg, at Reliance Trading, said his company has been selling black flowers for about six months and is doing well with them. Sea foam green and what he called lipstick red are also new, strong-selling colors. He is also seeing good results with metallic or "copper colors" since their introduction about eight months ago. The May/June thrust will be Victorian colors which he says incorporates dusty mauve and slate blue.

The success of the black and white, "tuxedo look" according Kleinberg, arises from its universal appeal. "Charcoal and chalk, as we're calling them, appeal to ethnic customers, low-income customers, high-income customers—sales are strong across the board."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WAREHOUSE CLUBS

Clubs Down to a Precious Few

Nine Chains Battle to Dominate Industry

Nationwide DSN Report

The membership warehouse business is taking its final shape, consolidating into a nine chain industry with further coalescing likely.

The contraction—Buyer's Club and American Wholesale closed down while K mart acquired Pace and this year will fold Makro, its other wholesale club operation, into Pace—denotes the overwhelming acceptance that membership warehouses have received almost everywhere they have opened. This, in turn, has spawned the following consequences:

- The rapid growth of the six major chains has begun to shut the window of opportunity for new entries, with Wholesale Depot the only startup last year. It opened two clubs last fall and projects four more units this year.
- K mart, in one step, changed from an also-ran into a major contender as it moved up from the parent of one of the smaller players to owner of the fourth largest chain.

The Pace acquisition firms up K mart's fortunes in its overarching effort to become the nation's leading retailer in sales, surpassing Sears, while holding off a growing challenge from Wal-Mart. Wal-Mart's explosive growth during the past few years has been fueled in part by its Sam's Wholesale Club division, which accounts for about 20 percent of the discounter's total volume.

- The concentrated expansion among the top membership warehouses has generated overpowering competitive pressure on smaller players, with one outcome, the demise of Buyer's Club and American Wholesale.

Buyer's Club battled Price Club, Costco Wholesale Club and Pace Membership Warehouse, while American Wholesale squared off against Sam's.

- These competitive factors could also result in further acquisitions and/or closings among the smaller chains as larger operators seek out low cost entries into new markets.

While the number of players has decreased, the industry's sales will continue to boom, with volume this year easily burgeoning 25 percent to over $22 billion, while the store count keeps pace, adding about 70 units, a 19 percent jump.

FRESH PROGRAMS
Meats • Bakery • Produce
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While the number of players has decreased, *sales in warehouse clubs will continue to boom and new features, such as fresh meat and produce at this Pace unit, will become more common.* (DSN photo)

The industry's phenomenally sustained growth will come on the heels of a 29 percent sales gain last year as volume reached $17.5 billion, a $4 billion jump from $13.7 billion in 1988.

On the store side, the industry's count mirrored the sales picture. Last year's 375 clubs was a 59 store increase, or a 19 percent gain, from the 316 in operation the previous year.

The industry consolidation and simultaneous expansion this year will be marked by three major developments during the next few months.

The first is continued merchandise diversification as chains add optical departments, fresh meat and produce sections and even scratch bakeries to more clubs. Concurrently, home delivery for bulky items and low-cost car buying and long distance phone services are becoming more and more common.

Next is K mart's converting nine Makros into Paces by mid-year, boosting Pace's current count to 56 clubs.

Just as important, the move will strengthen Pace as it gears up for the industry's third major development—the no-holds-barred battle for the Northeast, which was once a highly understored market, with 27 stores. The region is due to get about triple that number of units by the end of 1991.

The Northeast's attraction for membership warehouse chains is directly related to the few number of clubs in the region. The two dozen stores are less than the three dozen just in Los Angeles alone.

The industry's top five chains will be the players in the Northeast game, firming up sites while trying to—and in some cases succeeding in—outbidding rivals for locations.

The moves involve:

- BJ's Wholesale Club, which currently has 16 stores in seven states, plans to open eight more clubs while expanding into two new states.
- Price Club's presence will go from four units in three states to 11 stores in four states.
- Pace, whose four Northeast clubs are all in Pennsylvania, will expand to 19 stores in five states, aided by the conversion of Makro units in Philadelphia and Hartford, Conn.
- Sam's invaded the Northeast last year with a store in New Jersey—a forerunner to Wal-Mart also opening discount stores in the region. Sam's will exploit this beachhead with 19 more clubs in six more states.
- Costco will move into the Northeast for the first time with six stores in three markets.

Top Membership Warehouse Clubs

Chain	Sales (In Million) 1989	Sales (In Million) 1988	Percent Change	Earnings 1989	Earnings 1988	Percent Change	Number of Stores 1/89	Number of Stores 1/90	Number of Stores Proj. 12/90
Sam's Bentonville, Ark.	$ 5,100*	$ 3,828	33%	NA	NA	—	105	123	148
Price Club San Diego	5,033	4,161	21	192	157	22%	41	44	54
Costco Kirkland, Wash.	2,943	1,989	48	56	31	79	50	62	72
PACE Aurora, Colo.	1,710	1,271	35	NA	NA	—	39	47	66
BJ's Wholesale Club Natick, Mass.	985	817	21	9	6	45	22	23	25
Price Savers Salt Lake City	685	551	24	NA	NA	—	13	14	19
The Wholesale Club Indianapolis	570	402	42	9	5	65	18	23	30
Makro Cincinnati	270*	250*	8	NA	NA	—	6	9	—
Warehouse Club Skokie, Ill.	267	249	7	0.5[1]	(2.1)[1]	—	12	12	12
Club Wholesale Meridian, Idaho	70*	65	8	NA	NA	—	5	5	6
Total:	$17,633	$ 13,584	30%	—	—	—	311	362	432

*DSN estimate NA—not available [1]net income ( )—loss Source: DSN research

Remodelings Key to Caldor's Self-Sufficiency

CALDOR	1988	1989
Revenue (In Millions)	1567.6	1651.2
Store for Store Percent Increase	3.4	5.0
Operating Income (In Millions)*	89.7	108.9
Sales Per Square Foot	141.0	148.0
Avg. Store Size (Square Feet in Thousands)	93	93
Gross Margin (In Millions)	452.2	483.0
Gross Margin Percent	28.8	29.3
Avg. Sales Per Store (In Millions)**	13.2	13.9
No. of Stores (Year-End)	119	118
Percent Sales Soft Lines	29.3	31.1
Percent Sales Hard Lines	70.7	68.9
No. of Employees (In Thousands)	15	15

**Earnings before interest, taxes, depreciation and amortization.*
***Selling and Non-selling.*
Source: Caldor

(Continued from page 1)

more stores will be remodeled this year—five in April and five by the end of July.

In addition, Caldor plans to open five new stores in existing markets by year-end. The new stores will be in Shirley, Garden City and Woodmere, N.Y., and Ledgewood, N.J. Earlier this month, Caldor, which has been involved in negotiations for several of the former TSS stores in the Greater New York market, agreed to purchase the Middle Village site for a reported $5 million.

In 1991, Caldor will open stores in Staten Island and Massapequa, N.Y., and Turnersville, Pa. Two more sites are also being considered.

"For the next three or four years, we're only interested in expanding our existing markets," said Clarke. He said maybe someday Caldor would be interested in a major acquisition in the Northeast.

"We don't want to do what Ames did," he said. "We don't want to inundate our firm with something else when we don't have current things running the way we want them too."

Balmuth said that a total of $37 million in capital expenditures has been allocated for remodels and new stores in 1990. About $14 million is for remodels. In subsequent years, he said the total figure will drop to between $28 million and $29 million. Caldor has also invested $17 million last year to create a state-of-the-art distribution center that will double the capacity of its Secaucus, N.J., facility. It will be completed this month.

So far, Clarke said the payoff has been substantial. Although he wouldn't disclose specific figures, he said that incremental sales increases after a remodel have averaged in double digits.

While it's still too early to make a definitive evaluation of the success of their mission, it seems that Clarke and Balmuth have Caldor on the right course. The LBO by Odyssey LP, a New York private investment partnership, was finalized last November.

Both executives, who left sister chain Venture to take over Caldor in late 1986, admit that there are still problems to be solved, but they are confident that their plans will be successful and already have exceeded projections since the LBO four months ago.

"We weren't interested in taking over a company we couldn't fix," said Clarke, who claimed that the LBO has actually helped Caldor's financial position.

Over the past few years, Caldor has improved earnings, sales per square foot and comp store sales (see accompanying financial table).

Life without May has its good and bad points, according to Clarke and Balmuth.

"On the good side, we're able to do things faster," said Clarke. "Things don't have to fit into the May way. I think the remodeling program wouldn't look the same if we were still part of May. There's more flexibility. On the downside, May is a very well-structured company."

"Recruiting with May was a lot easier than recruiting without May," said Balmuth.

"We're now working on developing a culture at Caldor," added Clarke. "We don't have to report everyday, so that frees up some time."

Clarke said that May's emphasis was also on remodeling, but since the LBO, colors and the logo were among some of the changes implemented. The orange and brown colors were eliminated in favor of a more contemporary combination of red and gray.

"May was also pushing Caldor towards an 80,000-square-foot prototype," said Clarke, "but now we plan to do a 90,000-square-foot store."

In the Bricktown, N.J., store, which represents the new design plans, several departments have been expanded and identified as power departments. They include:

- Jewelry and accessories, featuring an expanded glass-enclosed counter fixture with an selection of fine gold jewelry and watches;
- Soft lines, featuring a more fashion color palette, and the much-publicized Gitano Shop, which Caldor was the first retailer to debut. An exercise/bodywear shop was also created, more name brand signs are being used and movable fixtures are being tested;
- CE, featuring a bullpen design and a repositioning to the rear of the store. Photo, audio and video were expanded and added to the basic CE mix;
- Lawn and Garden, featuring new fixtures to make handling and stocking easier. Products are now categorized and numbered for easy selection on the warehouse-style shelving;
- Sporting Goods has an expanded fitness equipment and fishing departments.

"We have created a lot more value for the customer," said Balmuth. "We took massive price decreases in 1987 to become more competitive and price-oriented, rather than just purely a convenience store.

"As we get better, we hope to improve our in-stock position," he added.

Caldor will maintain its current schedule of 53 sales circulars and has no plans to adopt an everyday low price strategy. Scanning has also been implemented in all stores.

"Many people have said Caldor has improved," said Clarke, "but we've got a long way to go."

Certainly, Caldor's May-less mission is not impossible. Clarke and Balmuth can only hope for a smooth ride.

Bag Makers: Retailers Should Join Our Fight

(Continued from page 3)

In Maine, retailers took a neutral position when the state legislature took up a bill banning plastic bags, Krissel said. Now a state law requires retailers to use paper bags, (which cost about 30 percent more,) he said.

Beginning Jan. 1, 1990, Florida retailers had to start using photodegradable bags that cost about 3½ percent more. Photodegradable bags are designed to begin decomposing after exposure to sunlight.

To offset the extra cost of degradable bags, K mart switched to a clear plastic bag, saving the cost of the pigment in the white bag it uses in the rest of the country.

Moreover, the Florida law also bans cadmium inks that produce reds and oranges, and substitute inks raise the cost of plastic bags by about $20 per thousand.

In Connecticut, a new law that requires retailers to offer both paper and plastic bags costs the Steinbach department store chain about $9,000 to stock paper bags in its Nutmeg State stores, even though only about one in 200 customers requests paper.

Wisconsin is "hot and heavy" about considering a bill to ban plastic bags, said Rick Thornburg, lobbyist for the Flexible Packaging Association and one of four panelists who spoke.

FPA lobbying helped persuade the city fathers of Minneapolis to rescind a ban on plastic retail bags, Thornburg said. The FPA, a trade association that represents plastic bag suppliers, hopes to overturn a similar plastic bag ban in St. Paul, Minn., before it takes effect, Thornburg said.

On Nov. 1, two critical initiative questions that would ban plastic retail bags appear on ballots in Massachusetts and Oregon, Thornburg said.

"I urge you to get involved" in such battles to ban plastic bags, Thornburg said. The outcome helps to "determine your bottom line," he said.

"You've got a dirty job ahead of you in trying to influence public policy," he warned the attendees.

Plastic bags are better for the environment than paper because they take up less space in land fills, said Charles Pearl, vice president, technology for Equitable.

Plastic bags represent only 1 percent of the trash and garbage dumped in landfills, Pearl said. Yet, "plastic bags have become a favorite target of politicians."

In "a stroke of genius," the American Paper Institute raised the issue of degradability, Pearl said. No material whether paper, plastic, food or garden wastes degrades in a modern landfill, designed to exclude oxygen and water, Pearl said.

A landfill is a tomb that only stores waste, Pearl said.

Plastic bag makers also are making plastic bags 17 percent thinner, decreasing the amount of plastic bag material winding up in landfills.

Michelle Raymond, a panelist representing *Crain's Plastics Magazine*, also urged retailers to close ranks with the FPA and plastic bag makers.

"You have more credibility" in your communities, the trade magazine columnist said. "Plastic resins makers lack the credibility to get the message across to the public," Raymond said.

Vendor Alleges Blackmail Claim

(Continued from page 2)

The FTC routinely declines to discuss pending cases. However, on Feb. 6, the FTC contacted the Washington, D.C., office of Congressman Michael Oxley, R-Ohio, and informed him that O'Connor's case is being reviewed, said Peggy Peterson, press secretary for Oxley.

O'Connor contacted Oxley in writing about the "blackmail" and the information was passed on to the FTC, said Peterson.

Although declining to provide specific details, O'Connor said that the same retailer that approached him recently did so for the first time about two years ago. O'Connor said the request was probably for less money, although he couldn't remember specifically, but he was able to continue the relationship without paying the money.

O'Connor characterized the request by the retailer for $25,000 in order to keep the retail account as "commercial blackmail money" and said he told the retailer to "jam it."

O'Connor said he lost the account.

Aside from this one retailer's request for money as a condition of doing business, O'Connor said he had never before been asked for money by a retail customer.

Favors as a condition of doing business are not new. There have long been stories about alcoholic drinks, parties, call girls, cocaine and payoffs in order to keep accounts happy.

For Connor, though, he said he "had never been assaulted with commercial blackmail" before and turned to the FTC and his congressman for help.

Range Clean, is a privately held company that produces electric and gas reflector pans and bowls.

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Bradlees Reshuffles Execs As Operating Profits Slide

BRAINTREE, Mass. — Bradlees parent Stop & Shop Cos., has reshuffled top management of the discount chain following a disappointing year that saw operating profits plunge 35 percent on a 17 percent sales decline and same store sales increases drop by half to 2 percent.

The restructuring came on the heels of the sudden resignation of Bradlees president and chief operating officer, George M. Granoff, who left to become coo of Ames (See story, page 1).

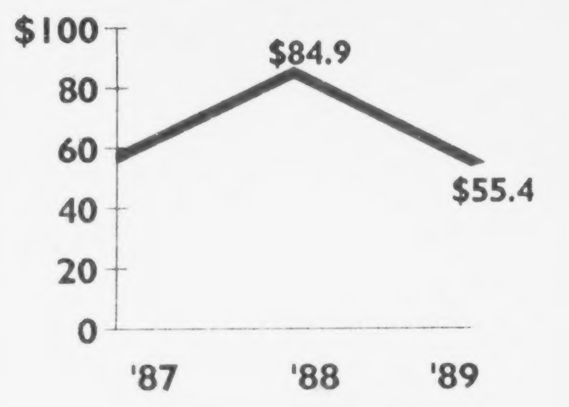
Instead of replacing Granoff, Stop & Shop Cos., chairman Lewis G. Schaeneman Jr., himself assumed the title of Bradlees president and split the duties of the president. Schaeneman already was ceo of Bradlees. Stop & Shop also put another of its supermarket executives, Barry Berman, in charge of Bradlees merchandising and marketing.

Previously, Berman was vice president of marketing, perishable sales and procurement for the supermarket company, Stop & Shop said in

(Continued on page 34)

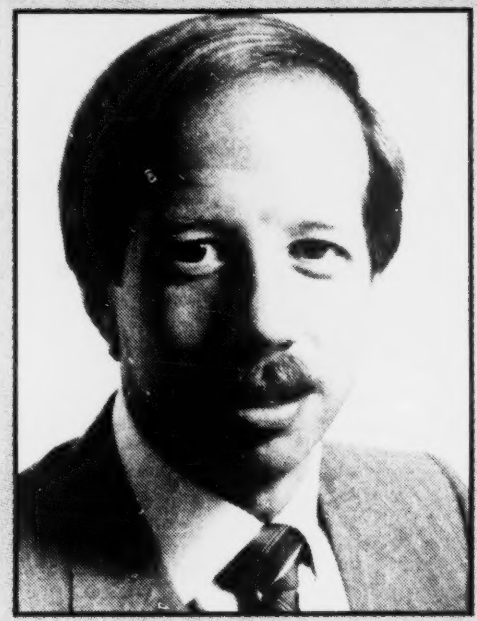
Bradlees Profits Ride Roller Coaster

(Operating Profits in $Millions)



Source: Stop & Shop Cos.

Granoff Joins Ames' Team; Brings Merchandising Flair



George Granoff

ROCKY HILL, Conn. — Ames Department Stores has named former Bradlees president and chief executive officer George Granoff, 43, president and chief operating officer. Simultaneously, Peter Hollis, formerly Ames president and ceo, has been named vice chairman and ceo.

Granoff rose quickly through the ranks at Bradlees, ultimately assuming the title of president two years ago. However, the chain has struggled as of late. A combination of declining profits and the takeover of parent Stop & Shop Cos., by LBO specialists Kohlberg Kravis and Roberts in 1988 forced Bradlees to sell off 31 of its Southern stores.

Ames, on the other hand, has run into a brick wall since its buyout of Zayre Stores, suffering from declining profits and sales. Dividing executive duties, which have been under the control of Hollis and his two closest advisers, Duane Wolter and Les Dietzmann, may have a positive effect on bringing Ames back into a positive growth posture.

Granoff is essentially a merchant, and initially he had great success at Bradlees, raising sales and profits in fiscal 1988 (sales rose from $57 million to $85 million) and paring down operating costs. However, sales and profits both plummeted in 1989.

At Ames, Granoff essentially replaces Jim McKitrick, the executive vice president who left to take over home center operator Builders Emporium. McKitrick was never, until now, replaced, and his loss may have had an effect on Ames' operations. At presstime, Granoff declined requests for interviews.

K mart Opens 2nd Hypermarket

Hopes to Fare Better with Scaled-Down Charlotte Unit

By Richard C. Halverson

CHARLOTTE, N.C. — K mart has opened its second—and much smaller—American Fare hypermarket here and hopes to open No. 3 in Jackson, Miss., by the end of the summer.

American FARE

In the Charlotte store, opened April 1, K mart radically broadened its merchandise offerings over its first hypermarket opened January 1989 in Atlanta. K mart more than doubled the sku's offered to 110,000 from the 45,000 that it originally offered in Atlanta, while reducing selling floor space in Charlotte by 40 percent. In Atlanta, sku count has already been increased to 65,000, and by mid-year remerchandising will be complete so that sku count will match that in Charlotte.

K mart cut selling space in Charlotte to 130,000 square feet from 217,000 square feet in Atlanta. And it is trimming the Jackson store by 5,000 feet more to 125,000 square feet.

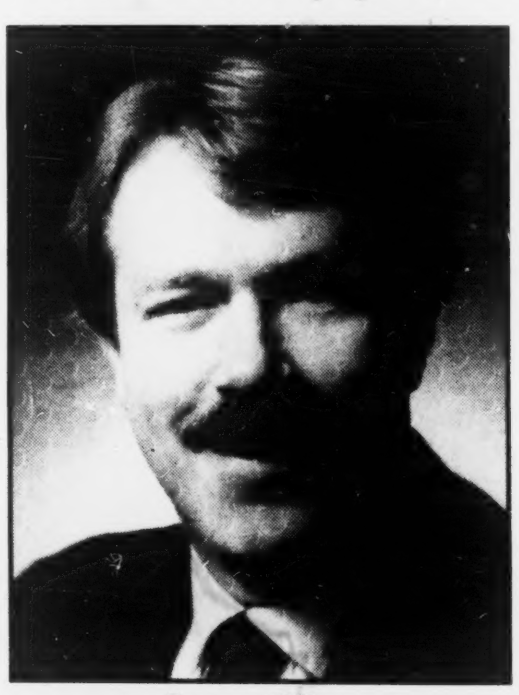
Moreover, K mart and its supermarket partner, Bruno's, appear poised to establish the last of four planned units in Birmingham, Ala., in Bruno's backyard, city and county officials said.

Both deny any immediate plans to build in Birmingham, however, and Larry Parkin, executive vice president for warehouse and grocery operations, said K mart has no plans "at this time" for a fourth American Fare.

K mart apparently has made no commitment in terms of buying or leasing a site or submitting building plans for the shopping center they are considering. The location is the new 275-acre Wildwood mall under construction in Homewood, a suburb south of Birmingham.

No advance information about the size of the proposed

(Continued on page 33)



James Glime

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Ethnic Hair: Wave Of the Future page 25

What Role Should Store Managers Play?

See editorial on page 8 and fax your opinion to *DSN*.

FAX: (212) 838-9487

Hypermart USA Units Get SuperCenter-type Facelift

By Arthur Markowitz

BENTONVILLE, Ark. — Wal-Mart last week finally ended its Hypermart USA experiment by unveiling a new format that mirrors the Wal-Mart SuperCenter's more traditional hypermarket concept.

The move also included christening the Garland and Arlington, Texas, and Topeka, Kan., stores as Wal-Mart's Hypermart USA. That label is seen as a step to the eventual use of the Wal-Mart SuperCenter name for the units.

The discounter in late February opened a store with the new format in Kansas City, Mo., under the Wal-Mart's Hypermart USA logo.

The first three Hypermart USAs reportedly are profitable. Wal-Mart decided to change the stores because

(Continued on page 34)

Wal-Mart Debuts in D.C.

BENTONVILLE, Ark. — Wal-Mart plans to open a store in the Washington suburb of Manassas, Va., as part of its looming corporate invasion of the Northeast.

The discounter has already announced the locations of over two dozen Sam's Wholesale Clubs set to open in the Northeast by the end of 1991.

The retailer's move into the Northeast is expected to make Wal-Mart, through its discount stores and membership warehouses, a dominating multisegment merchant in the region. Its expansion options include opening new units—the plan already in the works for Sam's—along with recycling stores and/or acquiring a chain for its discount arm.

(Continued on page 33)

MARKETWATCH

Ames Suspends Annual Dividend

ROCKY HILL, Conn. — In the face of an estimated loss of $37 million for 1989, Ames has suspended its annual dividend of 10 cents a share. The suspension will last until "Ames returns to a significant level of profitability," chief executive officer Peter Hollis said. The 1989 loss stems from poor sales from the Zayre stores Ames acquired in 1988. Suspension of the dividend will conserve about $3.8 million in cash, but the main issue is paying a dividend when the company lost money, rather than the relatively small improvement in cash flow, a spokesman said.

Newmark & Lewis Buys Brick Church

NEW YORK — With the purchase of Brick Church for a reported $7.8 million, consumer electronics retailer Newmark & Lewis has become the New York metro area's largest CE chain. Altogether, the bulked-up Newmark & Lewis will operate some 90 stores accounting for over $350 million in sales. Newmark & Lewis has also assumed undisclosed amounts of liabilities. Ironically, Newmark & Lewis was the subject of sale rumors for the past year. The Brick Church acquisition moves Newmark & Lewis ahead of The Wiz in New York metro sales and provides access to the northern New Jersey market.

Rossi Takes Helm of Marshalls

ANDOVER, Mass. — Jerome Rossi has been named president and chief operating officer of Marshalls, the national off-price family retailer. Former president Francis H. Arnone is staying on as chief executive officer for the chain and has been named to the newly added post of chairman of the board. Rossi had been chairman of the Houston-based Foley's and of the G. Fox Division of May Department Stores Co. At Marshall's, Rossi will oversee finance, information systems, real estate, shortage control and purchasing for the 300 plus unit operation. Rossi replaced Mark Sellers, who was named as president of Macy's South/Bullock's, as chief operating officer.

Schottenstein to Acquire Glosser Bros.

JOHNSTOWN, Pa. — Schottenstein Stores, Columbus, Ohio, won bankruptcy court approval to acquire Glosser Brothers out of Chapter 11 bankruptcy by paying creditors 55 cents on the dollar and giving them a 10 percent stake in a new entity to be formed, GB Stores. Glosser operates 17 Gee Bee Discount and 18 Dollar Bargain closeout stores. Creditors had voted overwhelmingly to approve the deal, set to close in early April. Schottenstein will retain present management, including president Thomas Zurilla, and the Gee Bee store format, Glosser said. Schottenstein controls a 79 percent stake in the venture, while Glosser management gets a 7 percent equity interest.

Electronic Retailing Conference Set

ORLANDO, Fla. — Deloitte & Touche will explore the latest retailing technologies—frequent buyer programs, network communication, kiosks, in-store advertising, voice/image systems, all-electronic retailing and videotex services—at its annual Electronic Marketing & Retailing conference to be held May 23 to 25 at the Buena Vista Palace at Walt Disney World Village. Information: Deloitte & Touche, (415) 296-2290. Fax (415) 982-4510.

Fred Meyer Reports $6.8M Net Loss

PORTLAND, Ore. — Fred Meyer reported a net loss of $6.8 million for its fiscal year ended Feb. 3, 1990, compared to net profits of $36.6 million the prior year. Sales rose to $2.28 billion from $2.07 billion. Fred Meyer attributed the net loss to $49.3 million in pre-tax write-offs for converting its management information systems checkout registers to IBM from Honeywell, as well as costs of remodeling, closing and replacing stores. Fred Meyer operates 125 units, including 95 full-line stores that offer groceries as well as general merchandise.

W. Bell Declares 25% Dividend

ROCKVILLE, Md. — W. Bell has declared a 5-for-4 stock split in the form of a 25 percent stock dividend. The move reflects the cataloger's new stock dividend policy of from time-to-time declaring dividends or stock splits as it deems appropriate. The aim is to increase the number of shares outstanding to broaden public interest in, and improve trading liquidity of, Bell's common stock.

Advertisers Discuss Change

Clover's Neswald Named Retailer Advertiser of the Year

CHARLESTON, S.C. — Barbara Neswald, sales promotion director of Philadelphia-based Clover, was named Retailer Advertiser of the Year by her peers at the 18th annual IMRA Advertising, Sales Promotion and Marketing Conference, held here last month.

Maxwell Communications Corp., the large St. Paul, Minn.-based newspaper insert printer, was chosen as Vendor of the Year by the gathering of discount store advertising and marketing executives.

Larry Hochberg, president and ceo of Sportmart and *ex officio* of the conference steering committee, described the theme of the program as handling "change on top of change."

Powerful motivational and personal improvement talks were given by numerous speakers and consumer research reports were presented by E.I. duPont de Nemours & Co. and Ambassador Cards.

"We're the type of people who are usually leading the charge," said attendee Bill Smith, vp, marketing at Meijer. "It's nice to sit back and really listen and learn."

Major trends mentioned by the 18 exhibitors who provide products and services to support the sales promo efforts of retailers included:

- Big is in. Large format posters of better quality construction that cost more but last longer are being used by K mart, Wal-Mart and other mass retailers;
- More niche marketing, particularly via direct mail, including capturing demographic information almost down to the street level;
- More four-color being used in ad circulars;
- More retailers are turning to electronic desk top publishing;
- Retailers are seeking new gimmicks, special formats, gatefolds—anything that grabs the consumer's attention.

Sky City Takes Flight From Parent Company

ASHEVILLE, N.C. — Interco Inc., parent of Sky City discount stores, has spun off the 57-unit discount chain as a privately held company.

St. Louis-based Interco, with diverse holdings in retailing and manufacturing, is slated to close on the sale of the chain to an investment group headed by Sky City president Harvey M. Yellen on March 31.

Yellen, who heads the group, Sky City Acquisition Corp., will continue in his capacity as president and ceo of the North Carolina-based chain.

The full-line discounter, which generated about $140 million in sales in 1988, according to *DSN*'s 1989 State-of-the-Industry Report, is opening a new store prototype in its headquarters city as part of its repositioning for the future, according to a spokesman.

Details regarding the new direction were not yet available, but are expected to take advantage of the chain's regional perimeters. Sky City stores are located in North Carolina, South Carolina, Georgia, Tennessee, Virginia and Alabama.

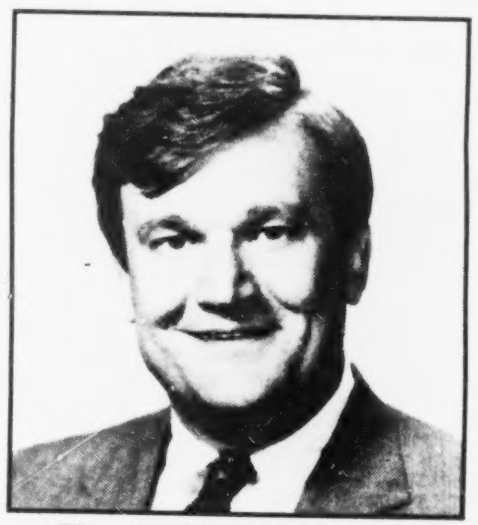
Steinbrueck Named Pace President, CEO

AURORA, Colo. — Charles E. Steinbrueck, president and co-chief executive officer of Pace Membership Warehouse was named president and ceo, effective April 1.

Steinbrueck served in his former capacity for two years, sharing the ceo title with Wayne Patterson.

Patterson, who is chairman of Pace's board of directors, has been named executive vice president of specialty retailing at K mart, Pace's new parent company. His appointment is also effective April 1.

In his new position with K mart, Patterson will be responsible for Pace, Pay Less NW and Waldenbooks Co., all K mart subsidiaries. Patterson will report directly to Joseph E. Antonini, K mart's chairman of the board and chief executive. He will assume responsibility for K mart's other specialty chains, Sports Authority, Office Square, and Builders Square, as well as the American Fare hypermarket, in January 1991, when current executive vp for warehouse and grocery operations Larry Parkin retires.



Charles E. Steinbrueck

Since joining Pace six years ago, Steinbrueck has held positions as vice president of merchandising and executive vice president of sales management at Pace.

Prior to joining Pace, Steinbrueck was with Grand Central, a discount chain in southweastern U.S. and Ardan's, a catalog showroom.

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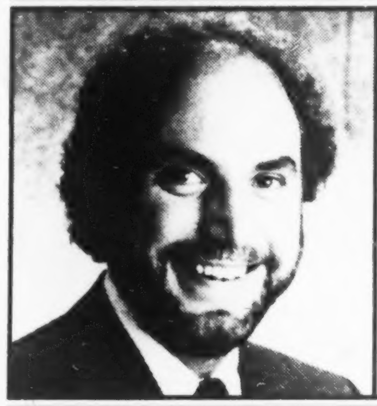
EDITORIAL

What Role Do Store Managers Play?

"So, what about the role of the store manager?" someone recently asked me. "What about it?" I answered. "Well, how much has it changed? How important is the store manager?"

There's no doubt in my mind that the role of the store manager has changed. But the changes are not necessarily for the better. Lately I've given serious thought to what I will call the dilemma of the store manager. I began to wonder: is the relationship between headquarters and stores souring?

As technology has advanced, more and more duties that once were the responsibility of the store manager are now controlled by the headquarters office. One can only wonder if the role of the store manager has been reduced to an administrative position, a paper shuffler.



TONY LISANTI
Editor

That's why it's time for a *DSN* opinion poll! An opportunity for the store managers (and headquarters people) to sound off and fax me your feelings. But first, a simple quiz to get you in the mood:

- True or false: The role of the store manager is a dilemma for many retailers.
- True or false: The store manager performs one of the most difficult jobs in retailing.
- True or false: The store manager is one of the most important assets for a retailer.

If you are from headquarters and answered true to these questions,than chances are you care about the store manager and your stores are performing well. If you are a store manager and answered true then you are viewed as a key decision maker and have pride in your work.

If you are from headquarters and answered false, then your stores probably aren't performing as well as they could. If you are a store manager and answered false, find another job!

The role of the store manager is a frequently discussed topic among retailers and suppliers. Among other frequently asked questions are:

- Does the store manager merely open and close the store?
- Is the store manager involved in merchandising and buying decisions?
- Does the store manager impact the bottom line?
- Is the store manager involved in the community?

There are dozens of other questions, but I'm sure you get the idea. Fax your opinions to: Tony Lisanti, (212) 838-9487.

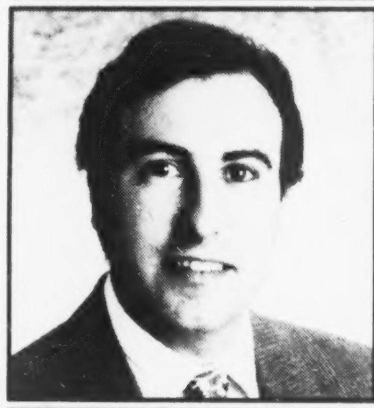
BUYERS & SELLERS

Keeping Sale Items in Stock Worth a Seminar

Last month's IMRA Advertising & Marketing Conference in Charleston, S.C., was loaded with powerful presentations on motivation and leadership, and strategic marketing presentations analyzing the changing consumer.

College basketball coach Jim Valvano gave an impassioned and humorous talk on motivating people to perform at high levels. Valvano emotionally illustrated how a person or company could go from the peak of success (NCAA Championship in 1983) to the depths (NCAA investigation for rules violations) in a short time.

Other highlights included talks on leadership by Dr. Robert Terry and consumer marketing reports by E.I. duPont de Nemours & Co., and Ambassador Cards.



DON LONGO
Exec Editor

There's no disputing the value of these seminars, yet I came away wishing that more time had been spent on the brass tacks issues of marketing and sales promotions, such as having a sale item on the shelf when the customer comes in to buy it.

I wasn't the only attendee to feel that way. A few days after the conference, Alvin Maley, president of Maley Graphics, an agency that works with many of the leading discount retailers, sent me this account of a frustrating situation that could have happened at any of several major retailers:

"This Sunday, after the show . . . a Sears circular caught my attention. There was an ad for batteries: AA's, eight for $4, and D's and C's, six for $4. Circular in hand, I drove to my local Sears. There were thousands of AA's, C's and D's, but none were packed in groups of six or eight. I asked every salesperson about the ad, and they did not know what I was talking about. I went to the service desk where eventually a supervisor showed up. I showed her my circular, which she had *never* seen before. She found a different ad mentioning batteries that started the following week, so she said that my circular was invalid. I pointed out to her that my circular was in color and obviously national, while the ad she referred to was in black and white and local. She said, 'sorry.' I had just finished listening to William D. Coston, a lawyer, head a session [at the IMRA conference] on New Regulation of Price Claims in Ads. He told of the fines retailers were being forced to pay because of infractions like those I was subjected to, as well as others . . ."

The message: advertising and sales promotions can't be executed in a void. There needs to be coordination throughout the system: at the supplier, at headquarters, at the retailer's warehouse and, most importantly, at the store.

WASHINGTON REPORT

Coming Attractions: Child Labor Crackdown

Watch out! U.S. Labor Department enforcers are coming back to life.

Indeed, having recently revived the Occupational Safety and Health Administration, Ms. Dole and her lieutenants are breathing new life into federal child labor law enforcement.

At a meeting with retail industry leaders last month, Secretary Dole issued a clear warning to all businesses employing teenage workers.

To be sure, she did express sympathy for retailers who find it increasingly difficult to recruit enough workers to keep stores open evenings and weekends. But at the same time, she warned the industry against cutting corners by keeping young employees on the job longer than federal law allows.

KEN RANKIN

Indeed, she maintained that the current labor shortage "has led some employers to violate our child labor laws."

The basis for Dole's accusation: new DOL statistics showing that the number of child labor violations has more than doubled over the past four years.

What she didn't tell the group, however, was that well over one-third of these violations occur in retail stores.

Moreover, when those Wage and Hour agents come around, they will be armed with stiff new penalties.

Indeed, Dole has instructed Wage-Hour investigators to begin imposing fines for each violation—not just each employee. As a result, penalties could skyrocket in situations involving multiple infractions.

The Department of Labor's child labor crackdown takes on added significance for discounters in view of the new federal "training wage" program implemented earlier this month.

If the subminimum training wage works as advertised, chains could be bringing in hordes of youths just in time to attract attention from Liddy Dole's Labor Department.

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Cleaning supplies
Sale
2.69
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Sale

Eighty percent of non-food chains stock cleaners regularly. Most advertise it consistently to build traffic.

First of a Two-Part FM *Special Report*

How the Non-Food Trade Treats Groceries

To study how the non-food trade is strategically treating the highest-tonnage, highest-consumption grocery categories, FM *commissioned Nebraska-based Fairfield Research to conduct a national trade retailer survey of the merchandising/promotional trends for grocery categories.*

The research concentrated on the drug and discount chains generating the highest-volume sales, and came out with a sample that included 20 major discount chains and 30 major drug chains throughout the country.

Strategies include identifying margins, sell-throughs, the best-selling items in the most productive categories, and the best categories for everyday merchandising.

For the highest-tonnage groceries, a number of issues were studied, including industry-wide penetration or distribution levels, advertising, merchandising, pricing, and the margin strategies employed.

Among the drug store chains that were surveyed, the median number of stores operated was 22. However, 30 percent of the drug chains surveyed operated more than 200 stores.

Among the discount store chains surveyed, the median number of stores operated per chain was 81. However, 30 percent of the discount chains that were surveyed operated more than 200 stores, and 25 percent had 2,200 or more stores.

The drug chains surveyed accounted for approximately $11 billion in chain drug store sales, while the discount chains accounted for some $51 billion of total discount store sales.

DRINKS
DIET
scriptions
MENTOS
Junior Mints

Drug chains use grocery departments to attract the convenience-minded shopper and create incremental sales.

CANDY/GUM. Virtually all drug and discount chains have candy and gum departments. Nearly all drug and discount chains advertised this category in 1989; 40 percent of all discount chains and 14 percent of all drug chains said they advertised this category more in 1989 than in 1988, and 20 percent of discount respondents and 17 percent of drug respondents said they also plan to advertise this category more often this year. No one said they intend to advertise it less often this year.

Candy and gum are perceived as excellent categories for generating incremental impulse sales. Usually they are given several locations within a store: a home department in a candy section, off-shelf displays in high-traffic aisles, and prime real estate at or near the checkout counters.

Percent of Non-Food Chains Merchandising Groceries

Category	% carrying everyday and promoting		% only promoting	
	Discount store	Drug store	Discount store	Drug store
Candy/gum snacks/chips	100%	100%	0%	0%
Cookies/cakes	90	89	5	3
Soft drinks	65	86	20	3
Other non-alcoholic beverages	69	66	16	3
Beer, wine, liquor	n.a.	34	6	7
Pet foods	72	38	0	21
Household cleaners	82	86	6	0
Paper products	71	93	12	0
Food wraps	77	64	6	7
Garbage bags	77	86	6	4
Packaged groceries	28	29	39	29

n.a.—Small respondent base
Source: Fairfield Research

Almost half of all discount chains advertise candy and gum at least once a week, while drug chains generally advertise these categories at least once every two or three weeks.

Discount chains usually take a 21 percent margin on their everyday candy departments, while drug chains are even more aggressive, generally opting for an 18 percent margin.

The sale price is usually 20 percent less than the suggested retail price when discount stores advertise candy and gum, and an average 28 percent off when drug chains advertise the category.

Buyers for both trade classes report that their sell-throughs on this category are extremely strong, averaging 84 percent sell-throughs in discount stores and 74 percent in drug stores.

The best-selling brands are Hershey, Wrigley, and Mars' Snickers.

SNACKS, CHIPS, COOKIES. Snacks, chips, cookies, cakes and

Buy your LOTTO tickets here!
MAGNA

Candy, carried in over 90 percent of all non-food stores, is up over 20 percent a year in sales. Both ads and prominent displays drive the sales.

nuts are almost as standard a department in non-food stores as candy and gum. Nine out of 10 of both discount and chain drug respondents said they have everyday departments for the snack category.

Discount chains, however, are more aggressive than drug chains in promoting the department. A total of 85 percent of the discount chain respondents said they advertised snacks in 1989 compared to 57 percent of the drug chain respondents.

One source suggested this may be because many drug chains merchandise snacks close to soft drinks and candy, which are both categories that are advertised almost weekly. "We don't advertise snacks that often," said one buyer, "because when we get the consumer in with the soft drink ad, we feel she's going to see the snacks and will buy them on impulse."

Advertising snacks

A third of all discount chains advertise snacks at least weekly, while a quarter of all drug chains advertise this category that often. Half of all drug chains and three quarters of all discount chains advertise snacks at least monthly.

A third of the discount respondents and a quarter of the drug respondents said they advertised snacks more often in 1989 compared to 1988. The same number—11 percent—of both drug and discount respondents also said they planned to keep advertising it more in 1990. Only 2 percent said they planned to advertise it less often this year.

Discount chains usually take a 20 percent margin on their everyday snack departments, while drug chains are again more aggressive, generally opting for a 15 percent margin.

The sale price on advertised snacks is usually 19 percent less than the suggested retail price when discount stores advertise this category, and an average 26 percent off when drug chains advertise it.

Buyers for both trade classes report that their sell-throughs on this category are very strong, averaging 79 percent sell-throughs in discount stores and 78 percent in drug stores.

The best-selling brand, especially in discount stores, is Frito-Lay, named by 47 percent of all the discount chain respondents as their best brand. The drug chain respondents also picked Frito-Lay as their best seller, but by a smaller amount, 19 percent. Another 11 percent named Keebler's line of snacks.

SOFT DRINKS. Soft drinks is gradually becoming more and more of a standard everyday department in non-food stores, especially in chain drug stores. Nearly nine out of 10 of the chain drug respondents said they have everyday soft drink departments, while 65 percent of the discount respondents reported stocking soft drinks everyday.

Discount chains and drug chains, however, are just about even in promoting the department. Seven out of 10 respondents said they advertised soft drinks in 1989.

Buyers said soft drinks and candy are two of their best categories for building traffic and pulling consumers into stores.

A fifth of all discount chains advertise soft drinks at least once a week, while a quarter of all drug chains advertise this category that often. Half of all drug chains and three-quarters of all discount chains advertise soft drinks at least once a month.

A third of the drug store respondents and 29 percent of the discount respondents said they advertised soft drinks more often in 1989 compared to 1988. A total of 16 percent of both drug and discount respondents also said they planned to keep advertising it more in 1990. No one said they planned to advertise it less often this year.

Discount chains usually take an 11 percent margin on their everyday soft drinks, while drug chains opt for a 9 percent margin.

The sale price on advertised soft drinks is usually 12 percent less than the suggested retail price when discount stores advertise this category, and an average of 26 percent off when drug chains advertise it.

Buyers for both trade classes report that their sell-throughs on this category are very good, especially in drug chains, where they average 92 percent sell-throughs per ad. Discount chains average about 64 percent sell-throughs, the survey found.

The best-selling brand, especially in drug stores, is Coke, named by 52 percent of all drug chain respondents as their best brand. Also naming Coke as their best seller was 35 percent of the discount chain respondents. Another 23 percent named Pepsi as their best brand.

OTHER BEVERAGES. It only seems like yesterday that non-food chains first began promoting juices and bottled waters to see "how they'd do," as one buyer put it. Now they're almost as easy to find in non-food stores as they are in food stores, where they average entire gondola runs of space.

Today 69 percent of all discount chains stock bottled waters, juices and other non-alcoholic beverages, and so do 66 percent of all drug stores.

Two-thirds of all discount stores advertise this category, and so do nearly half of all drug chains.

The Most Frequently Promoted Groceries in Discount Stores

Category	Number of times advertised per year
Candy/gum	38
Snacks/chips/cookies/cakes	31
Paper products	26
Soft drinks	23
Household cleaners	21
Food wraps	20
Garbage bags	20
Packaged groceries	20
Other non-alcoholic beverages	16
Pet foods	12
Beer, wine, liquor*	n.a.

**—Small respondent base*
Source: Fairfield Research

A quarter of all discount chains advertise these types of beverages at least once every two or three weeks, while a tenth of all drug chains do the same. Nearly half of all drug chains and two-thirds of all discount chains advertise juices and waters at least monthly.

A third of the drug respondents and 19 percent of the discount respondents said they advertised juice and water drinks more often in 1989 compared to 1988. The same amount—19 percent—of drug and discount respondents also said they planned to keep advertising it more in 1990. Just 3 percent said they planned to advertise it less often this year.

Average Gross Margin

Category	Discount store	Drug store
Candy/gum	21%	18%
Snacks/chips/cookies/cakes	20	15
Soft drinks	11	9
Other non-alcoholic beverages	7	13
Beer, wine, liquor	n.a.	7
Pet foods	10	7
Household cleaners	9	14
Paper products	n.a.	8
Food wraps	7	10
Garbage bags	7	16
Packaged groceries	11	11

n.a.—Small respondent base *Source: Fairfield Research*

Discount chains usually take a 7 percent margin on their everyday juice and water products, while drug chains tend to try to get a little more profit from this category. They average a 13 percent margin.

The sale price on advertised juice and water drinks is usually 8 percent less than the suggested retail price when discount stores advertise this category, and an average of 26 percent less when drug chains advertise it.

Buyers for both trade classes report that their sell-throughs on this category are reasonably good, especially in discount chains, where they average 67 percent sell-throughs per ad. Drug chains average about 54 percent sell-throughs.

The best-selling brand, especially in discount stores, is Ocean Spray, named by 31 percent of the discount chain respondents and 5 percent of drug chain respondents. However, Perrier was named by 10 percent of the drug respondents as their best brand.

Gatorade, Sundance, Very-Fine, Mountain Valley and Crystal Springs were also singled out by the drug trade, while discounters also singled out Minute Maid, Tropicana, Sayers and Crystal Springs.

HOUSEHOLD CLEANERS. Household cleaners is another one of those high-consumption commodity categories that has found a permanent home in non-food stores as a standard day-in, day-out department. A total of 82 percent of the discount respondents stock this category everyday, as do 86 percent of all drug respondents.

Nearly three-quarters of all discount stores advertised this category, as did two-thirds of all drug chains.

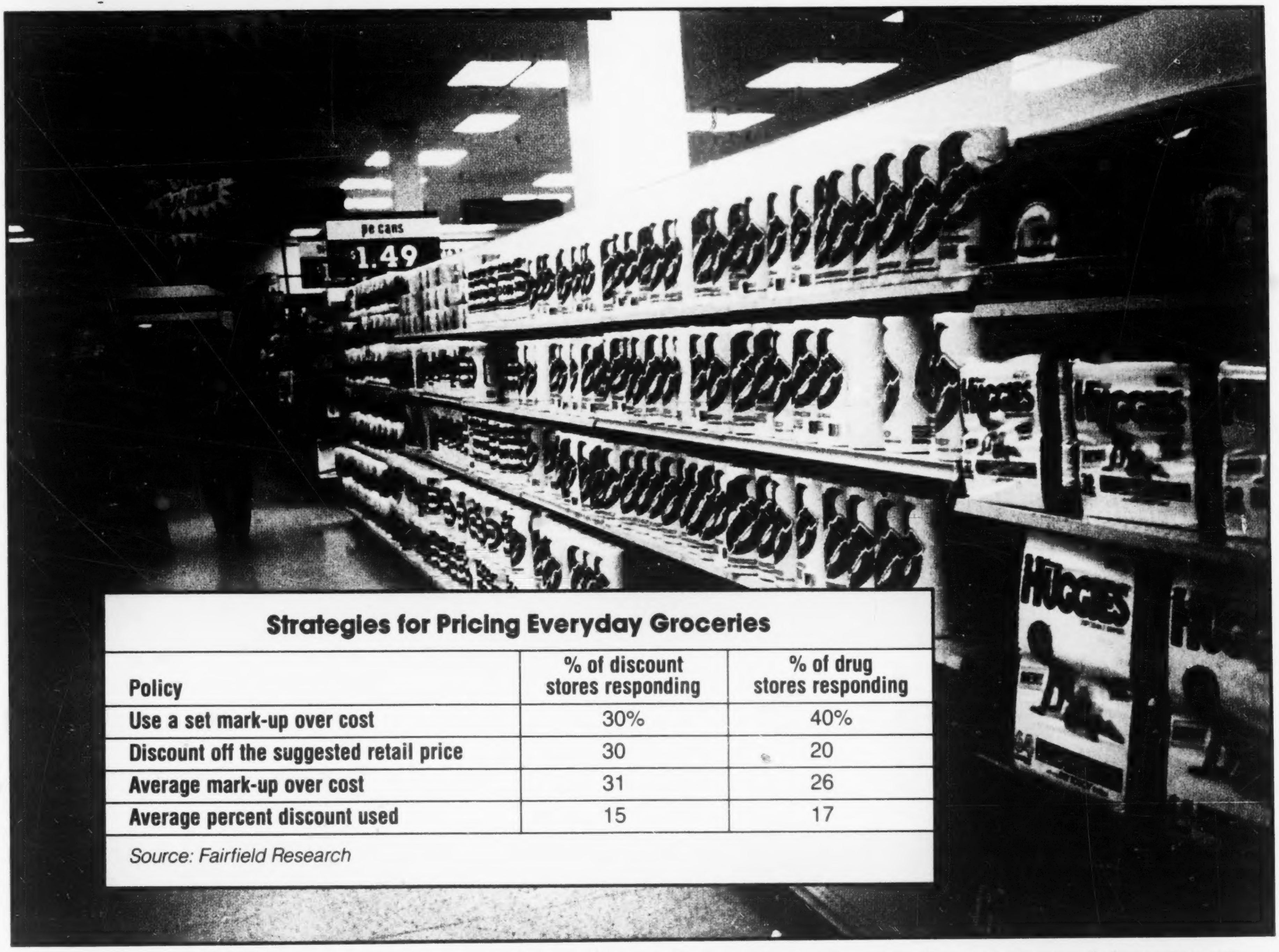
A fifth of all discount chains advertise household cleaners at least once a week, while a tenth of all drug chains do the same. About 80 percent of all drug chains and more than a half of all discount chains advertise cleaners at least once a month.

The survey showed that 27 percent of discount respondents and 13 percent of the drug respondents

The Most Frequently Promoted Groceries in Drug Stores

Category	Number of times advertised per year
Soft drinks	41
Household cleaners	39
Paper products	39
Food wraps	34
Candy/gum	33
Garbage bags	28
Beer, wine, liquor	27
Snacks/chips/cookies/cakes	18
Other non-alcoholic beverages	13
Pet foods	7
Packaged groceries	6

Source: Fairfield Research



Strategies for Pricing Everyday Groceries

Policy	% of discount stores responding	% of drug stores responding
Use a set mark-up over cost	30%	40%
Discount off the suggested retail price	30	20
Average mark-up over cost	31	26
Average percent discount used	15	17

Source: Fairfield Research

A total of 71 percent of discount chains and 93 percent of drug chains have everyday paper good departments.

said they advertised cleaners more often in 1989 compared to 1988. When asked if they plan to keep advertising it more in 1990, 7 percent of the discount respondents answered favorably as did 4 percent of the drug respondents. No one said they planned to advertise it less often this year.

Anticipated margins

When discount chains merchandise cleaners they usually take a 9 percent margin everyday, while drug chains tend to try to get a little more profit from this category and go for a 14 percent margin.

The sale price on advertised cleaners was usually 10 percent less the suggested retail price when discount stores advertised this category, and an average 26 percent less when drug chains advertised it.

Buyers for both trade classes reported that their sell-throughs on this category were very good, both in discount chains where they averaged 75 percent sell-throughs per ad, and in drug chains where they averaged about 77 percent sell-throughs.

The best-selling brands in this category were Windex and Tide, but many buyers also singled out the Lever Brothers stable of cleaning products as well as those made by Dow Chemical.

PAPER PRODUCTS. Like household cleaners, paper products like toilet and facial tissues are also staples in today's non-food store.

Almost three-quarters—71 percent—of the discount chain respondents carried these products everyday, as did 93 percent of all the chain drug respondents.

Seven out of 10 respondents also advertised this category regularly.

Paper is one of those high tonnage/high usage categories that non-food chains like to advertise. Over a quarter of the respondents in both trade classes reported they advertised some paper at least once a week.

Also, 15 percent of both the drug and discount respondents said they advertised paper products more often in 1989 compared to 1988. However, only 5 percent of all the respondents said they planned to keep advertising it more in 1990. No one said they planned to advertise it less often this year.

Traffic builders

Discount chains' everyday paper product departments usually take margins averaging in the mid-teens. Drug chains, again trying to build traffic, often go out at 8 percent margins.

The sale price on paper products was usually about 4 percent less the suggested retail price when discount stores advertised this category and an average 25 percent less when drug chains advertised it.

Nearly a fourth of all drug and discount chains stock at least some packaged grocery items everyday.

Buyers for discount stores weren't able to estimate average sell-throughs for this category, but drug chain respondents indicated that their sell-throughs for this category are very good, averaging 75 percent per ad.

Best-selling brands

The buyers said the best-selling brands in this category are Charmin, Kleenix, Hi and Dry, Bounty, Northern, and Puffs. Some of the respondents named manufacturers rather than brands. The two companies mentioned most often were Kimberly-Clark and Scott.

PACKAGED GROCERIES. Packaged groceries are still on a growth curve in most non-food stores. Nearly a fourth of all drug and discount chains said they stocked at least some grocery items everyday, but even more chains preferred to promote them as traffic-building in-and-out specials.

Buyers with regular grocery departments said it's an "opportunistic" category for their stores, generating traffic, increasing the frequency of customer visits, and helping the store service the convenience needs of their shoppers.

About 28 percent of the discount respondents now stock this category everyday, as do 29 percent of all drug respondents.

A third of all discount stores advertised this category, as did 37 percent of all drug chains.

Almost half—41 percent—of all discount chains advertised packaged groceries like soups, microwavable meals, cakes mixes, etc. at least once every two or three weeks, while a third of all drug chains said they advertised the category at least monthly.

A total of 42 percent of the discount respondents and 6 percent of the drug respondents said they advertised groceries more often in 1989 compared to 1988. In addition, 8 percent of discount respondents and 6 percent of drug respondents said they planned to keep advertising it more in 1990. No one said they planned to advertise it less often this year.

When discount and drug chains carry packaged groceries everyday, they usually take an 11 percent margin.

The sale price on advertised groceries was usually 17 percent less the suggested retail prices when discount stores advertised this category and an average 22 percent less when drug chains advertised it.

Terrific sell-throughs

Buyers for both trade classes reported that their sell-throughs on this category were exceptionally good, both in discount chains where they averaged 82 percent sell-throughs per ad, and in drug chains where they averaged about 77 percent sell-throughs.

Buyers found it hard to single out brands in this category, preferring to mention major manufacturers with top brand in a number of product categories.

General Foods, Heinz, Hormel, Lipton, Nabisco, Pillsbury and Quaker Oats were singled out, as was the Duncan Hines baking good lines.

Editor's Note: Look for part two in the summer edition of FM.

What Determines the Brand to Promote
(Ranked by importance of attributes)

Factor	Discounter's ranking	Drug store's ranking
High sell-through percentages	3.73	3.65
Growth rates of the category	3.73	3.31
Manufacturer's willingness to support retail's ad programs	3.67	3.44
Availability of co-op ad dollars	3.57	3.00
Frequency of useage	3.40	3.59
Dollars invested in consumer advertising	3.36	3.28
Availability of bonuses or special packs	3.33	2.96
Market share	3.25	3.16
% of households purchasing it	3.21	3.72
Availability of backhaul allowances	3.00	2.54
Regional/neighborhood demographics	2.64	3.08
Availability of consumer rebates	2.47	2.27

Note: Ranked on a four-point scale with one being not important and four being very important.

Source: Fairfield Research

HARD LINES

Automotives • Health & Beauty Aids • Hardware • Toys • Stationery • Sporting Goods • DIY

Ethnic Hair: Wave of the Future

Chains Capture Larger Share of Lucrative Market

By Faye Brookman
Special to DSN

Last February, K mart ran a two-page spread advertisement in *Essence Magazine* saluting Black History Month.

Wal-Mart has pulled buying responsibilities for ethnic hair care in-house and designated a buyer for the category.

And Jamesway touts its ethnic selection via bag stuffers and handouts.

These are just three examples of the attention the nation's discounters are paying to the ethnic hair care business, a lucrative $500 million market. Discounters' efforts have paid off; mass merchandise sales increases, according to Nielsen Research, have substantially outpaced other outlets. For example, drug store sales rose only 6 percent and food store volume was only up about 4 percent last year. Discounters, however, registered a 20 percent-plus jump in sales. Moreover, discounters widened their share of the business from only 12 percent just five years ago to 17.1 percent last year.

According to the Chicago-based American Health and Beauty Aids Institute, an industry group, ethnic products are currently outperforming all other health and beauty aids categories especially since the category yields margins of 30 percent to 40 percent and turns of 5.0. That means the increase in business is filtering right to the discounter's bottom line.

Yet most mass merchandisers are still grappling with questions concerning the category. Some are disillusioned with recent growth which, although healthy, is not equal to the staggering sales growth of the 1980s when pricey curl kits and maintenance items paced volume. Others still debate the virtues of using a beauty supplier vs. buying direct. Other hurdles include keeping rampant out-of-stocks in check as well as finding suitable advertising vehicles, especially when the products are not always stocked chainwide. According to some sources, out-of-stocks are as high as 80 percent to 100 percent in discount outlets.

Most industry experts said sales started to flatten as the curl look was supplanted by a variety of other styles. "Today," observed Rosalind Bell, product manager for Lustrasilk, "people are wearing their hair in many different styles. There is a general category move toward dryer hair—gels instead of lotions and more geometric cuts."

Styles inspired by Tracy Chapman, those seen on the basketball court or in the new hit movie "House Party" (the lead character has a buzz cut around the side with a top that stands straight in the air), require some styling aids—but not the expensive tools needed to achieve the curl. Soft Sheen, however, has a product called High Five that is suitable for maintaining the popular high top fade look. Carla Ferrero, spokeswoman for K mart, agreed that there is no huge style success now. K mart, she added, sees a trend toward sculpting gels and stiff-styling sprays.

Many count on a new style to ignite sales. "A styling breakthrough of a celebrity could touch off a mini-boom like the Michael Jackson Jheri-curl of the '80s," said David A. Weiss, president of Packaged Facts, the New York-based research firm.

But while many point at hair styles, Kent Humphreys, president of Jack's Service Co., in Oklahoma City, said the real root of the problem is much more complicated. With its close ties to the beauty salon business, ethnic hair care relies on the beauty trade for new products—something that has faltered. "Today, as a distributor, we're seeing fewer new products and only a few [of them are] professionally driven. Therefore, we're not seeing the sizzle."

According to Humphreys, when large companies embarked on the business in the 1980s, the small companies became short-sighted. They cut back on advertising and research, two critical factors. Additionally, general market firms snapped up many black-owned companies at the same time the business started slowing. These firms have yet to realize the sales potential they thought would come easy.

The ever-changing face of the category encourages many chains such as Ames, Jamesway and K mart to rely on distributors. Among the largest in the business are Standard Distributing Inc., Ben Sheftall, Judith Lynn, Beauty Enterprises, Jack's

(Continued on page 26)

Year-End Analysis of Ethnic Health & Beauty Aids

Category	% Increase '89 vs. '88	Dominant Items in Category
Skin Care	35%	Ambi Skin Cream & Soap, Palmers Cocoa Butter & Skin Success Cream, Artra & Black and White Cream
Hair Color	34	Dark & Lovely permanent and temporary colors
Styling Gels	26	Pro Con Gel, Dark & Lovely Gel, Lekair Gel, Vigorol Gel
Hair Accessories	35	Goody
Shave Products	21	Magic Shave
Relaxers	16	Dark & Lovely Kits, Gentle Treatment Kits, Soft Beautiful Kits, Revlon Kits, Creme of Nature Kits, (Up and coming are Raveen Kits)
Shampoo	14	Creme of Nature shampoo, Leisure Curl, Optimum Care, Care Free Curl
Curl Kits	10	Luster's S Curl, Proline Curly Kit (Up and coming are Lustra Curl Kit and Duke Wave & Curl Kit)
Conditioners & Hairdress	7	Ultra Sheen Conditioner, TCB Scalp Conditioner, B. Bros. Super Grow, Murray's Pomade, Dax Pomade, Sportin' Waves Pomade, TCB Hair Food, Allways Natural Super Gro, Proline Perm Repair, Stylecrest Isoplus

Source: Beauty Enterprises Inc., Hartford, Conn.

MARKETWATCH

Amdura May File For Bankruptcy

DENVER — The financial problems of Amdura Corp., are beginning to affect its ability to distribute hardware and automotives to discount chains. If the distributor fails to secure additional working capital, problems in supplying Ann & Hope, Biggs, Bradlees, Caldor, Hills, Meijer, Rich's, Rose's Stores, Sam's Wholesale Club, ShopKo, Target and Twin-Valu may become severe. Amdura said it will report a "substantial" loss for 1989 and may file Chapter 11 bankruptcy if unable to renegotiate debts. It is attempting to sell its Lincoln, R.I.—based Globe automotives distributorship, acquired in 1988. Amdura was a profitable manufacturer before assuming heavy debt to acquire Globe and the Coast to Coast hardware distributorship.

Merrill Lynch Capital to Buy Whitlock Auto

NEW YORK — Merrill Lynch Capital Partners has agreed to buy the Whitlock Auto aftermarket group from its British parent, Boots Co., for an undisclosed sum. Current management will get an equity interest in the new venture as an inducement to remain. Whitlock operates 260 auto parts stores, including the Rose Auto chain in Florida and R&S Strauss in New Jersey. Consolidated sales in 1989 were about $285 million. Boots Ltd., is selling Whitlock to pay down debt from last year's $1.48 billion takeover of Whitlock's previous parent, Ward White PLC.

Lacey Leaves Northern Auto

PHOENIX, Ariz. — Northern Automotive, the nation's second largest aftermarket group, lost its second chief executive officer in 18 months. John Lacey "resigned" last month for "personal reasons," as did his predecessor, Dan Seiwert, in October 1988. Julius Trump, one of two investor brothers who owns Northern Automotive, declined to name a successor and assumed the title of ceo. In an attempt to reverse a profits slide, the Trumps hired Lacey away from his position as head of the retail division of Molson, the Canadian brewer, offering an equity interest and severance of up to $2 million. Northern Automotive consists of five chains: Schuck's, Checker, Kragen, Crown and Autoworks, operating 850 stores.

OPEI: Accidents Fell Since 1987

ALEXANDRIA, Va. — The number of accidents stemming from lawn and garden power tools fell 13 percent in 1988 to an estimated 59,073 from 68,079 in 1987, the Outdoor Power Equipment Institute reported. Most of the reductions were in injuries related to rotary power mowers, garden tractors and snowblowers. OPEI has been promoting improved product safety standards and enhanced consumer education about using equipment safely. But it neither claimed credit nor offered other explanation for the improvement.

Ethnic H&BA Rides Wave

(Continued from page 25)

Service and Harris. Distributors help determine the size of the set and the mix. These suppliers said most discount sets are in the 8-foot to 24-foot range.

In an effort to make the department more profitable, some chains have eliminated the middlemen. All industry eyes are on Wal-Mart to see how the chain—which was not really even in the business as recently as seven years ago—will fare buying direct. Although this theory has worked for drug chains like Walgreens (generally considered one of the best ethnic merchandisers), some believe Wal-Mart has already dropped some of the briskest movers while adding some "slow turners."

The other retailer in the limelight is Ames as it assumes the Zayre outlets. Zayre was well-known for its ability to serve ethnic markets. Several sources told *DSN* that Ames is having trouble understanding the unique niche and is not realizing the same sales in the ethnic hair care area.

Jamesway, according to Larry Fine, vp, merchandise manager, hard lines, is enjoying good ethnic business especially when the department is promoted. However, since only 25 percent of the chain's stores carry the products, Jamesway can't advertise ethnic hair care in its rotos. Instead, said Fine, the chain hands out fliers in the stores and uses bag stuffers as well. Jamesway puts an ethnic department, usually an 8-foot set near basic shampoo, in stores with about 15 percent ethnic population.

Black traffic in the store is usually the barometer retailers use in deciding whether to stock the items. However, Royal Mack, vp, sales for Lustrasilk, suggested retailers should keep in mind that black consumers will buy these items where they work, shop and visit and, therefore, retailers should offer at least a 3-foot or 4-foot set in all stores. And, according to Mack, these customers will buy many other items in the store that sends out a positive message to the black shopper.

Accordingly, Mack urges retailers to make certain their signage clearly spells out the location of the department. "Everyone did such a good job making the department separate, sometimes they went too far. Imagine the sign saying hair care, aisle 5, but ethnic hair care is over an aisle on the right. The shopper will be confused," Mack said.

Soft Sheen planning and promotion manager Rodney Lawrence said endcaps are important in today's price-driven environment. Soft Sheen has been providing discounters with such value-added promotions as a 12-ounce Care Free Curl activator and moisturizer and a Care Free Wave Activator buy-one-get-one-free promotion.

"Discounters have been very aggressive in pricing and emphasizing larger 32-ounce sizes. Endcap displays are an opportunity to put excitement into the company," Lawrence noted.

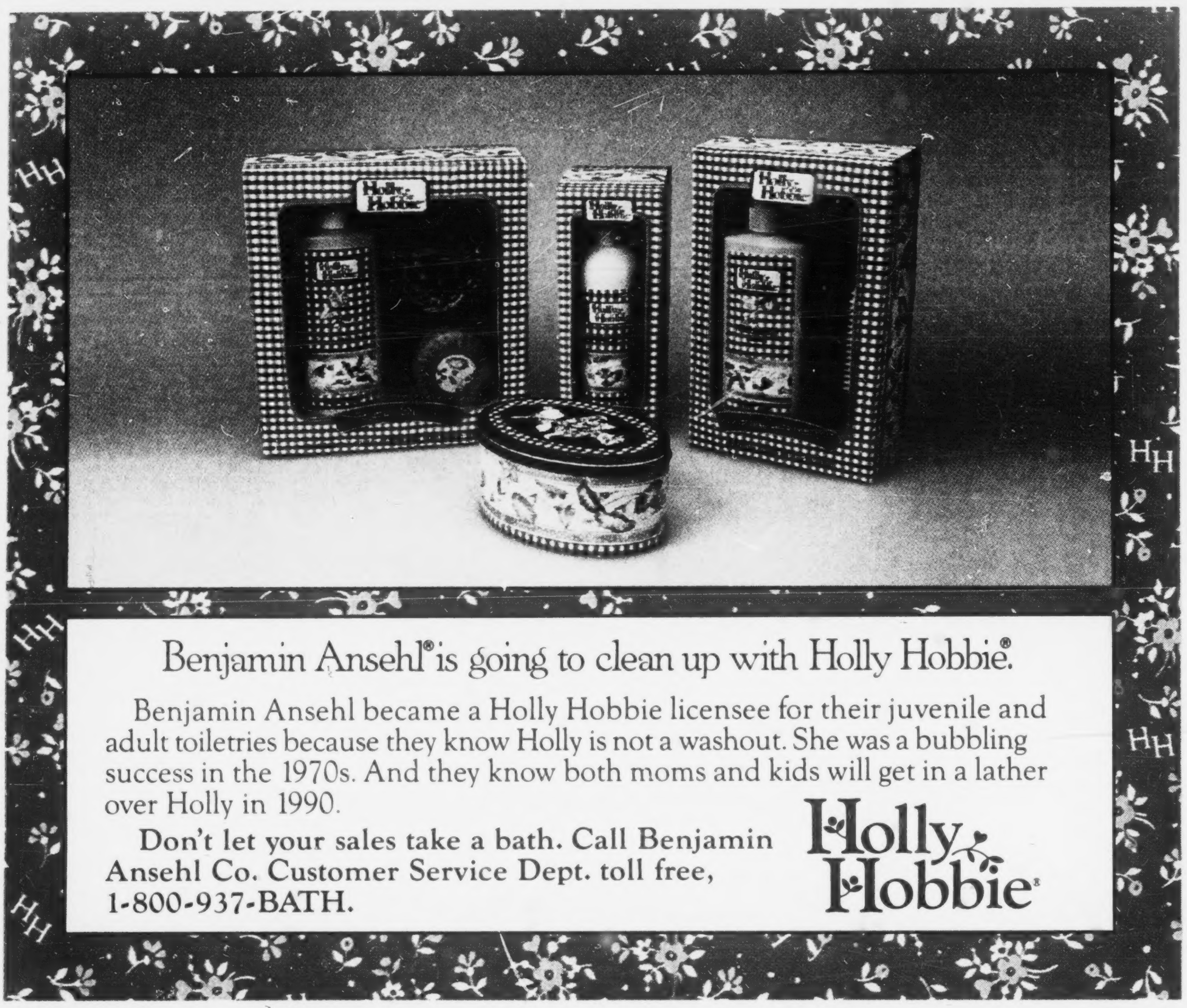
While some product categories have cooled, others are heating up. Lustrasilk's MoistureMax was singled out by several buyers as was Soft Sheen's Optimum Care.

"Dry curl and body wave styles begun by Leisure Curl are still very popular in salons which are using Leisure Curl, Wave Nouveau and Optimum Products. Retail maintenance items copying Wave Nouveau's Finish Lotions and Finish Mist are strong growth areas," reported Jim Normandin, senior buyer for Beauty Enterprises (see chart).

The future is bright for discounters. While supermarkets do not seem to give the department enough space and drug stores are battling financial strains by paring inventories, discounters are in a good position to gain favor with ethnic shoppers.

"While they currently account for 20 percent to 25 percent of the total population, these ethnic groups (including black, Hispanic and Asian) are growing faster than others and their income level is rising, too," said Weiss of Packaged Facts.

***Ethnic hair care** at Bill's, Jackson, Miss.: Ethnic H&BA products are outperforming all other H&BA categories.* (DSN photo)



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Benjamin Ansehl became a Holly Hobbie licensee for their juvenile and adult toiletries because they know Holly is not a washout. She was a bubbling success in the 1970s. And they know both moms and kids will get in a lather over Holly in 1990.

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The next move is up to you. Call Lynne Aronson at Milton Bradley, (413) 525-6411.

Holly Hobbie®

Hypermart USA Units Receive SuperCenter-type Facelift

(Continued from page 1)

they are sharply priced—about 20 percent gross margin—that are in the black only because they are low cost operations.

The "hassle" of maintaining and executing a low-cost operation, "living on the edge," isn't worth the effort as Wal-Mart could get a better return on its financial, time and energy investment from the Wal-Mart SuperCenters, one source said.

The original Hypermart USA prototype tested a hybrid hypermarket idea—a full-line supermarket combined with a narrow but deep general merchandise assortment that was modeled on the limited mix Wal-Mart uses so successfully in its Sam's Wholesale Clubs.

Wal-Mart SuperCenters are combined full-line supermarkets and Wal-Mart discount stores. Wal-Mart has indicated in the past that this conventional hypermarket concept—which can also make the discounter a power in the supermarket field—will play a major role in its growth, both as a vehicle in new markets and in remodelings and expansions of current stores.

Wal-Mart, however, is still searching for the exact hypermarket prototype concept. It hasn't yet disclosed any massive rollout of the Wal-Mart SuperCenters. Instead, it is probing different sized stores, department arrangements and assortments, with three units, so far, announced for this year: Jefferson City and Poplar Bluff, Mo., (each 186,000-square-feet), Batesville, Ark., (178,000-square-feet), and Sikeston, Mo., (158,000-square-feet).

The remodeling of the three Hypermart USAs involved:

- Adding more national brands in the supermarket area to expand the variety of labels and products. The food side of the store takes up 25 percent of the unit but accounted for about half the volume.
- Increasing the 40,000-sku assortment to about 120,000 sku's. The main effort was in the general merchandise area as a typical Wal-Mart discount store assortment replaced the Sam's-type limited mix.
- Narrowing the aisles so the stores can house more fixtures for the expanded assortment.
- Replacing the warehouse-type racking for toys, hardware, automotive and sporting goods with more traditional discount store fixtures. This lowered the sight level in the stores' rear right quadrant.
- Developing controlled access departments for sporting goods and for hardware/auto to go along with setup already used for electronics/camera.
- Switching toys from the right rear to the right side, which had housed sporting goods and hardware/auto.

Prior to the official unveiling of Wal-Mart's Hypermart USA, the discounter had outlined some general merchandise changes planned for the stores in local ads. The expanded departments customers would be seeing included: sporting goods; office supplies; cosmetics/HBA; plumbing/electrical supplies; lawn and garden; fabrics/crafts/sewing notions; paint, with mixing and tint service, and apparel and accessories.

Changing the Hypermart USAs to Wal-Mart SuperCenters completes a developmental circle. The chain's original plan was the Wal-Mart SuperCenter. But founder Sam Walton wanted a hypermarket that would be more sharply priced than that venture, operating on margins closer to Sam's Wholesale Club's average 10 percent gross.

WORKplace Steps Up Growth, Prototype Store

(Continued from page 3)

WORKplace's new prototype is merely an extension of its original concept, Westerfield said. That concept closely resembles consumer electronics superstores: clean and well lit, with consumer-friendly displays, wide aisles and extensive service.

In the Pinellas Park store, business electronics have moved front and center, with staples like paper products moved to the sides of the store. A bargain aisle of mainly products like typewriters has also been added to the center.

The electronics department has been beefed up considerably. WORKplace now stocks 11 sku's of personal computers, ranging from inexpensive entry-level models up to powerful Epson and Emerson models. The assortment now contains laser printers and other high-end peripherals, which vice president, merchandising Jim Nakamura said were selling very well.

WORKplace is also making a major statement in fax machines and supplies, stocking models from Murata, Sharp, Brother, Epson and Toshiba.

The company recently raised an additional $5 million from original investors to fund expansion, and according to an industry source, the company has turned marginal profits in each of the last four fiscal months.

Westerfield noted that the company has been successful in cutting down on the cost of building new stores, and WORKplace's extensive advertising has attracted so much attention that sales at new units quickly mushroom. Sales at larger units are reported to annualize at some $10 million.

Yellow Front in Race to Find Capital

(Continued from page 3)

expires April 20.

Among the major trade creditors, Yellow Front owed: GNB, $640,000; Northern Automotive, $609,000; BASF, $539,000; Levi Strauss, $445,000; Pennzoil, $308,000; Hasbro, $133,000; and Rubbermaid, $129,000, the filing shows.

The privately owned chain cannot consider submitting a reorganization plan to emerge from bankruptcy unless it is recapitalized, said Andrew Brozman, Yellow Front's bankruptcy lawyer with the New York firm of Anderson Kill Olick & Oshinsky.

No further bankruptcy court action is scheduled, he said.

Although operating out of Phoenix, Ariz., Yellow Front declared bankruptcy in New York where its parent, Yellow Front Holdings, is based.

"The $64,000 question is what will happen next," Brozman said. "I can't rule out that Yellow Front might emerge in a different format."

At Yellow Front, Robert Bove left as president, and David Stoup, one of two partners in Kenmare Capital, has assumed the presidency. Stoup was unavailable for comment.

In 1987, New York-based Kenmare was the major investor in the purchase of Yellow Front from Lucky Stores, which spun off its non-food operations following an LBO.

Bradlees Reshuffles its Executives

(Continued from page 1)

a release announcing the executive restructuring.

Bradlees general merchandise managers and its vp of marketing now will report to Berman, rather than to the president. They are: Herbert Douglas, vp, hard lines; John Gounaris, vp, soft lines; and Fred Gelfand, vp, marketing.

In another indication of how Stop & Shop has split Granoff's duties, it has promoted Norm Chalphin to senior vp for stores and operations from vp, stores.

Peter Vagi, vp, store design and engineering now reports to Chalphin.

Schaeneman was unavailable for comment on the reasons for and implications of his restructuring.

It is the second major executive reshuffling at Stop & Shop since Kohlberg Kravis and Roberts took over Stop & Shop in a $1.3 billion leveraged buyout April 1, 1988.

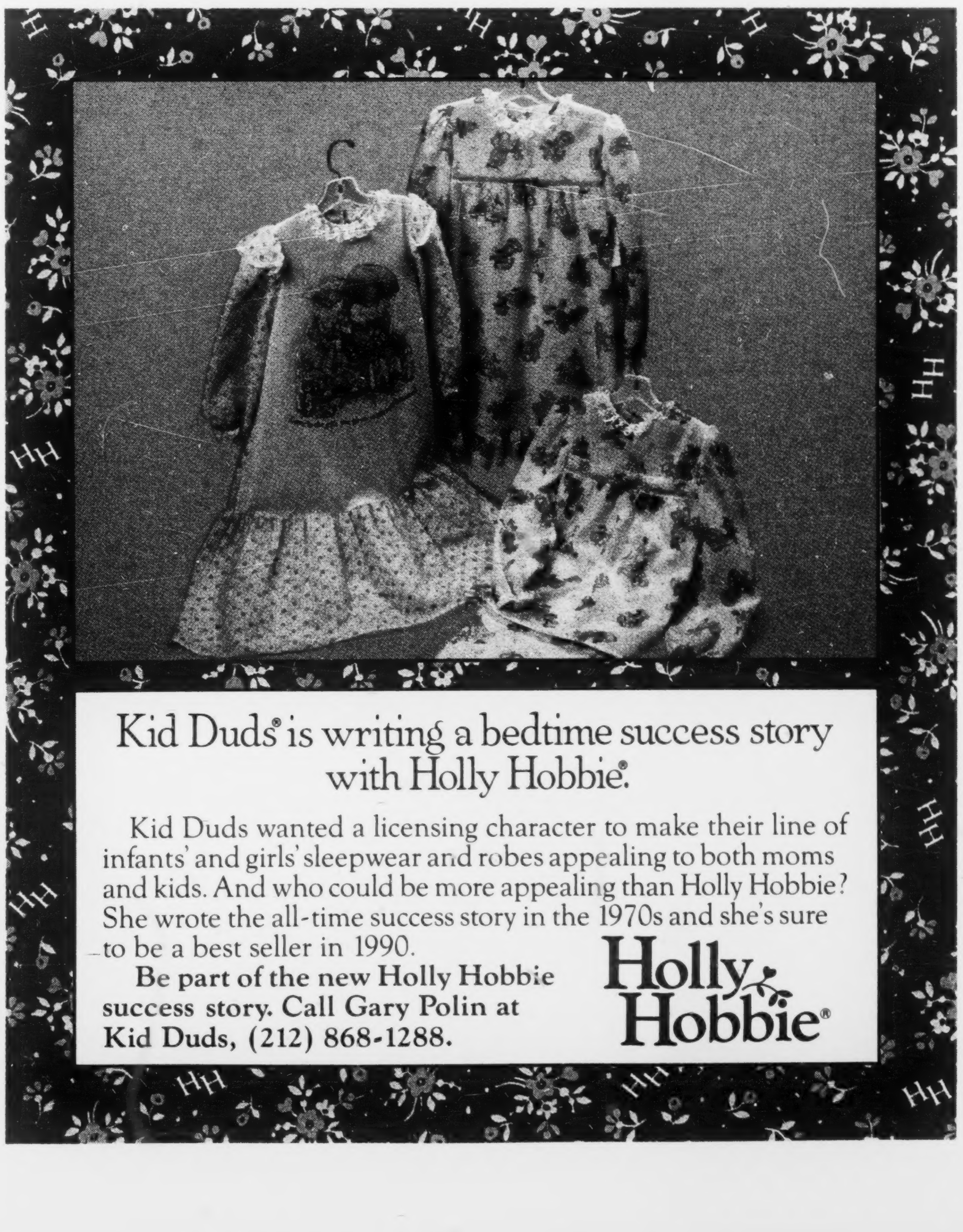
Last year, Carol Goldberg resigned as ceo of Bradlees and executive vp and coo of Stop & Shop, along with her husband, Avram Goldberg, Stop & Shop chairman and ceo, leading to Schaeneman's appointment.

Following the LBO, Bradlees closed 31 of its money-losing Southern district stores in 1988, leading to a surge in operating profits to $84.9 million in 1988 from $57 million in 1987. The company now operates 130 stores.

But in 1989, Bradlees operating profits plunged 34.7 percent to $55.4 million, or below the $57 million recorded in 1987. Sales dropped 17 percent to $1.75 billion in 1989 from $2.11 billion in 1988, Stop & Shop reported in its financial statements for the year ended Jan. 27, 1990.

On a same store basis, Bradlees sales rose 2 percent in 1989, only one-half the 4 percent increase in 1988 and a further decline from 5 percent prior to the LBO.

Stop & Shop attributed Bradlees profits decline last year to softer sales and reduced margins that stemmed from last year's heightened promotional pressures.



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What Went Wrong at Ames

By Pete Hisey

ROCKY HILL, Conn. — It will be a long, bitter road back for Ames Department Stores. Its Chapter 11 filing on April 25th is the largest bankruptcy in the history of discounting, comparable only to the dissolution of W.T. Grant and, if you stretch it, to Arlen's and King's in the 1970s.

But what brought it on, where will it end, and what will the consequences be for the discount industry? Specifically, can Ames survive and who will benefit most from its troubles?

From this vantage point, the bankruptcy was brought on not only by the obvious culprit, the October 1988 acquisition of the tottering Zayre chain, but by Ames' subsequent inability to decide what it was going to do with the 388 stores it purchased.

At first, Ames planned to run most of them as a Zayre business unit after pruning away some 79 unsalvageable sites. Then, Ames decided to keep the Zayre name only in urban markets, but to spruce up these inner-city stores while converting the rest to the latest Ames prototype. Then, without even waiting for customers to adjust, the chain jettisoned the Zayre name altogether, and shortly thereafter folded its "urban" buying operations into Ames corporate merchandising staff.

In a series of perhaps ill-timed moves, the chain effectively alienated whatever customers had hung on with Zayre by eliminating the loss leaders that they loved so much, then the name itself, and finally most of the urban consumer specific goods with which the revamped Zayre buying staff had stocked the shelves. And, Ames offered very little to attract new shoppers.

(Vice chairman Peter Hollis resigned on April 30 and was replaced by former Target, Ward, and McCrory executive Stephen L. Pistner. Pistner is known as an aggressive turnaround artist, and is generally credited with re-establishing Target in the 1970s. He joined Montgomery Ward in 1981 and McCrory in 1985.)

Historically, Ames has been primarily a rural chain, often called (until recently) the Northeastern Wal-Mart. Under the Gilman brothers, who

(Continued on page 202)

***"Go forth to meet the shadowy Future,** without fear, and with a manly heart," wrote Henry Wadsworth Longfellow in 1839. Longfellow, like today's progressive retailers, knew that the future always holds great promise for those brave enough to adapt to its changing shape. In a special report, beginning on page 95,* DSN *explores the major issues shaping the future of retailing.*

Goldberger Maps Changes

Hills Updates Merchandise; Plans Prototype for '91

By Laura Liebeck

CANTON, Mass. — After a tough year, Hills Department Stores, which ended 1989 on an upbeat note, is poised for some dramatic changes in '90.

Hills is already testing a number of new merchandise display programs, some of which could end up in a new prototype store slated to open in 1991. Currently, Hills is testing a grid display and rounders in its Lima, Ohio, and Roanoke, Va., apparel departments.

***Steven Goldberger,** chairman, president, and ceo of Hills.*

The new prototype store will be between 90,000 square feet and 100,000 square feet, as much as 25 percent larger than current stores. It will feature wide drive aisles, more departmental identification, fewer pipe racks, and an increased use of fixtures such as rounders, said Steven Goldberger, chairman, president, and chief executive of the 210-unit discount store chain.

In a recent interview with *DSN* in his Canton office, Goldberger emphasized that Hills' merchandise mix will not change dramatically; the stores will remain heavily attuned to apparel, but will utilize a more visually effective presentation of its merchandise. Hills also will continue to emphasize brand names through in-store signage and fixtures.

The larger prototype store will also provide Hills an opportunity to beef up some departments that currently are "underspaced," such

(Continued on page 201)

'Shop Concept' Big at Jamesway

By Jill Lettich

SECAUCUS, N.J. — Jamesway Corp., headquartered here, has opened two larger prototype stores that emphasize new shop-within-a-store concepts, computerized scanning, and newer, attractive fixturing.

The new stores, in Matawan, N.J., and Kingston, N.Y., are two of five Jamesway units opening this year, according to Arlie Lazarus, president. At 82,000 square feet and 78,000 square feet, respectively, the newest stores represent a trend toward larger retail spaces for the discounter.

"The size of the stores really depends on the area they are in," Lazarus said. However, he noted that Jamesway's soon-to-open Stafford, Va., store, at 70,000 square feet, is larger than that locale would normally need. An average Jamesway store runs about 60,000 square feet.

Although larger in space, both the Matawan and Kings-

(Continued on page 201)

McGREGOR
McGREGOR
SHIRTS

***Jamesway is showcasing** important national brands such as McGregor through shop-within-a-store displays.*
(DSN photo)

MARKETWATCH

Patterson Declines Kmart Executive Post

TROY, Mich. — Wayne Patterson, former co-chairman of Pace Membership Warehouse, decided not to assume the position of executive vp, specialty retailing at K mart. Instead, Patterson will pursue other interests. No one has been named to the specialty retail post, now held by Larry Parkin, who is retiring at year-end.

Nusim to Launch New Wholesale Club

CINCINNATI — Joe Nusim, former president of the Makro Inc. wholesale club chain that was purchased by K mart last year and later folded into its Pace Membership Warehouse acquisition, is launching a new warehouse chain: Metro Warehouse. Nusim has secured $25 million in financial backing and plans to open his first unit either in New Jersey or Long Island. Within four years, he plans to have 21 units. Metro Warehouse's initial operating areas will be in New York, New Jersey and Connecticut. The new warehouse club chain will seek out second use sites for its units. Nusim will leave Makro when the nine-unit chain is completely merged into PACE this summer.

Office America Adds Staff for Expansion

RICHMOND, Va. — Eleven-unit Office America, gearing up to open five more office supply superstores—Indianapolis and Raleigh (two), Charlotte and Gastonia, N.C.—has hired four vice presidents. They are: Kenneth S. Gorvy, formerly with Ernst & Young, as vp and cfo; W. David Hiner, a Best Products regional vp/general manager, as vp of operations; Robert A. Kendig, previously Best's senior vp of merchandising/marketing, as vp of merchandising, and James K. Mayo, formerly L. Luria and Son's director of stores, as vp of administration.

Sears May Go 'Crazy' With Brand Central

CHICAGO — Sears, which has been rolling out its Brand Central CE departments far ahead of schedule, is now looking at former Crazy Eddie locations for free-standing versions of Brand Central. Kathy Gucfa, a Sears spokesperson, confirmed that the company had looked at several sites, but had reached no decision on them or any other metro New York locations. According to *The Daily News*, however, the company is considering five sites; two in northern New Jersey, and three others in Manhattan, Brooklyn and Queens.

Quality Stores to Add Five New Units

NORTH MUSKEGON, Mich. — Quality Stores plans to open five more units between now and June 27, pushing unit count to 49 Quality Farm & Fleet stores and 17 of its smaller Country Post specialty stores. In March, it had opened a Country Post unit in Rochester, Ind. Farm & Fleet units will open in Clio and Ludington, Mich. Country Post stores will appear in Charlevoix, Rogers City and Hastings, Mich.

Target Parent Buys Marshall Fields

MINNEAPOLIS — Target's parent Dayton Hudson Corp. has strengthened its position as the paramount operator of conventional department stores chains in the Midwest by purchasing Marshall Fields for $1.04 billion. B.A.T. Industries PLC auctioned off Fields (with Saks Fifth Avenue sold for $1.5B to other company) to ward off a takeover bid. The 24 Field's boosts Dayton Hudson's department store count to 61 units that include dominant positions in Chicago (Field's), Minneapolis (Dayton) and Detroit (Hudson's).

Hills Donates Money to Hospital

CANTON, Mass. — Hills Department Stores donated $91,240 to Children's Hospital of Pittsburgh in 1989, bringing the company's 11-year total to $672,868. Employee-sponsored fund-raising projects were responsible for $52,240 of the 1989 contribution and the balance, $39,000—$1,500 for each of the 26 area stores—was from the corporate offices.

Wal-Mart Opens Visitor's Center

BENTONVILLE, Ark. — Wal-Mart took the wraps off the Wal-Mart Visitors Center, a shrine to the retailer's past, in downtown Bentonville on May 9. Filled with Wal-Mart and Sam Walton memorabilia, the center is located at the former site of Walton's first retail endeavor.

K mart Set to Test Little Caesars Take-Out Pizza Depts. in 8 Stores

Nationwide DSN Report

While Sears considers bringing The Colonel into its camp, K mart has jumped on Little Caesars' galloping chariot.

Late last month, the nation's No. 1 discounter signed an agreement to test Little Caesars Pizza operations in eight stores; four in Michigan (where both K mart and Little Caesars are headquartered), and four in Georgia. The operations are expected to open by July.

Little Caesars, based in Detroit, is the nation's third-largest pizza chain and largest carry-out chain. The company currently operates over 2,800 units worldwide and expects to have 3,300 units generating $1.5 billion in sales volume by the end of 1990. The privately held company ranked 43rd last year among all restaurant chains in systemwide sales, according to *Nation's Restaurant News'* Top 100 list.

Open during normal store hours, the new Little Caesars operations will be located near the entrance of the test stores, replacing the upfront deli area in those units. From 9:30 a.m. to 10:30 a.m., they will serve breakfast pizzas, muffins, and Danish. After 10:30 a.m., the menu will consist of pizza by the slice, Baby Pan! Pan!, Caesar Sandwiches, salads, Crazy Crust, medium-sized Pizza! Pizza!, ice cream, yogurt, soft drinks, and slushes.

There will be no seating. Customers will carry out their food purchases, said Little Caesars spokeswoman Susan Sherbow.

Meanwhile, Sears may soon sprout Kentucky Fried Chicken units within the walls of some of its stores. Reportedly, a company that operates bakery and deli shops in 36 Sears stores is negotiating to test market KFC units in Sears.

According to *NRN*, Cattleguard Inc. plans to open KFC outlets in two Sears stores, one in Dallas and the other in St. Louis, this spring. The units would be between 1,300 square feet and 1,400 square feet, offer seating, and a complete KFC menu. The two-store test is expected to run 60 to 90 days.

Healthy Staples to Pad Its Calif. Roster

NEWTON, Mass. — Staples, the 48-unit office supplies superstore, is poised to begin its California expansion on the heels of 1989's record-breaking sales and earnings.

For the year ended Jan. 27, 1990, Staples earned $5.7 million, or 61 cents per share, on sales of $181.7 million. This compares to a loss of $6.25 million, or 85 cents per share, on sales of $97.5 million in 1988. Comparable store sales rose by 36.6 percent in '89 over '88.

Now with a full year of profitability behind it, Staples will begin its California expansion.

At the end of this month Staples is sending out two store management teams to prepare for the summer opening of two stores, both in Orange County, Calif. By the end of the year, Staples expects to have between four and six stores in southern California, and maybe more, depending on lease negotiations,

(Continued on page 66)

Sweater Dumping Could Hike Prices

WASHINGTON, D.C. — The Commerce Department has ruled that man-made fiber sweaters from Hong Kong, Korea, and Taiwan are being dumped in the United States and being sold at less than fair value. The decision requires importers to immediately post bonds to cover possible penalty duties.

The result could be an increase in prices of man-made fiber sweaters sold at discounters and mass merchants. A final determination is expected in early July when final margins will be set for any penalties.

The decision came following a petition filed by the National Knitwear & Sportswear Assn. (NKSA), which represents 300 domestic sweater makers.

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EDITORIAL

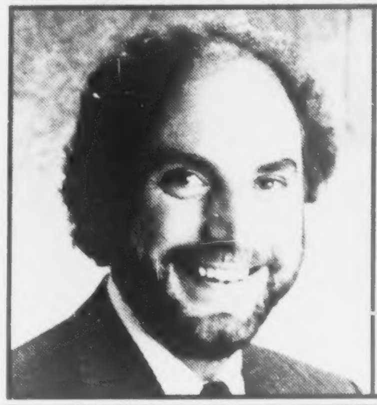
IMRA Convention: Issues & Ideas

What do Ronald Reagan, Hodding Carter, Dr. Marvin Cetron, Willard Scott, Terry Bradshaw and Kenny Loggins have in common?

What do Warren White, Bill Atkinson, Larry Hochberg, Don Soderquist and Peter Hayes have in common?

What do Laura Liebeck, Rich Halverson, Mary Ellen Kelly, Pete Hisey, Jill Lettich and Don Longo have in common?

No, they are not appearing on "Nightline" with Ted Koppel, or "The Tonight Show", or Oprah, Geraldo, or Phil. But they all have opinions. And they will all have the opportunity, in one form or another, to voice their opinions about the future of retailing and the issues of the 1990s in conjunction with this week's annual IMRA convention in San Diego and this special issue of *DSN*.



TONY LISANTI
Editor

The first group consists of guest speakers and entertainers, the second group is made up of retailers and seminar moderators, and the third group features some of the staff editors of *Discount Store News*.

Let's look at the first group. I doubt former President Reagan will discuss any specific issue, particularly the recent passage of the retail price maintenance bill (see page 5) in the House, which he never supported during his tenure. The question I think everyone would like to ask Reagan is how much is IMRA paying him! And I'm sure Hodding Carter would have dozens of other questions for him as well. Dr. Cetron will take credit as being the only person to predict that the Ames and Zayre relationship (see page 1) would not work. Willard Scott will either give a local weather report or write a memo about the future of retailing. Terry Bradshaw will talk about John Elway and Brent Musberger, and Kenny Loggins will just sing.

The second group will mix business with pleasure. It consists of prominent retailers who will enjoy the observations of the first group and offer their keen insights about the future.

As the new decade unfolds, significant changes and challenges loom. *Discount Store News* has devoted this edition to examining the issues that will shape the future of retailing. Enter the third group—all *DSN* staff writers. Their in-depth analyses of over a dozen issues begins page 95.

So that's what IMRA is about. A few opinions, a few laughs. A little business, a little fun. A few new friends, a few old friends. A few new ideas.

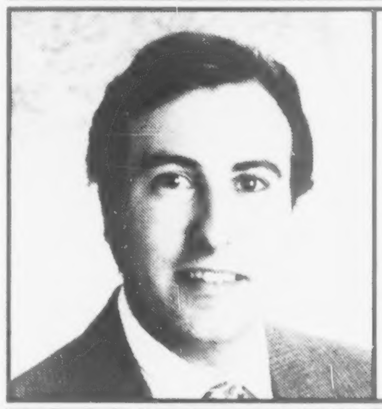
I know every one of our readers will not attend this important industry meeting. But every reader must be concerned with the future of the industry. As you read about the issues that will impact retailing, remember that despite the competitiveness, the consolidation, and the criticism, there are as many opportunities in the 1990s as there were in the 1960s. The mass market is the most viable segment of retailing.

However, discount retailers can no longer be followers—they must be leaders. They no longer can be passive—they must be aggressive. They no longer can be trendwatchers—they must be trendsetters. Otherwise, they will be history.

BUYERS & SELLERS

Golden Era of Discounting Awaits in 1990s

"**Welcome to 1980—The Year of the Discounter!** That's right. 1980 has more to offer discounting than any other form of retailing. In fact, we expect this to be the beginning of a golden era—the Decade of the Discounter."



DON LONGO
Exec Editor

Those were the prophetic words used by *DSN's* editor in a Page One editorial on Jan. 14, 1980, to usher in the new decade. In the '80s, the discounter became the dominant retailer in America. Discount department store sales rose by about 50 percent, from some $60 billion to nearly $90 billion by 1989. They far outpaced full-price retailers in sales growth. The leading discounter then, K mart, maintained its No. 1 rank, with sales growth of over 65 percent during the decade. Wal-Mart, then No. 4, saw its sales volume increase more than 1,000 percent. Target's sales swelled by more than 400 percent in the '80s.

Growth wasn't limited to today's Big Three. Hills' sales grew some 200 percent during the decade. Caldor's more than doubled; as did Bradlees' and Venture's sales.

Retail analysts today would scoff at the idea that the 1990s can be another Decade of the Discounter. Indeed, half of the top 30 chains of 1980 are not in business today. And, many of today's leaders are in trouble.

But, I believe many of today's discounters are capable of great things. In 1980, the economy was in much worse shape than it is in today. Disposable dollars were scarce. Food prices were up. Fuel prices were climbing even faster. Yet, discounters thrived. How?

That 1980 editorial offers a clue: "Discounters have what no other retailing segment can offer: lower operating costs, more efficient procedures, larger hard line assortments, one-stop shopping, lower prices and better value."

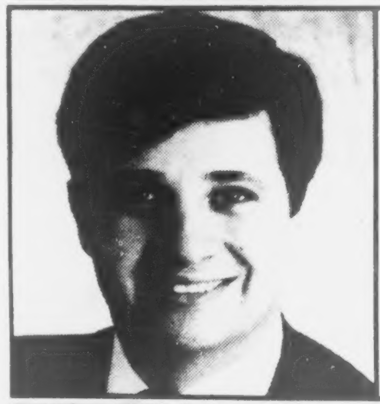
The successful retailers of the 1990s—whether true discount department stores, specialty mass merchants, warehouse clubs or hypermarkets—will be "discounters" and they will have stayed true to the above tenets.

PUBLISHER'S VIEW

Partnerships Essential To Survive in The '90s

Partnership.

Over the last 12 months, I have heard this word used more than during the previous 12 years. In my conversations with retailers and suppliers about the trend towards closer working partnerships, it has become apparent that "partnership" means different things to different people.



JOHN FAILLA
Publisher

Webster's New Collegiate Dictionary defines partnership as "a relationship involving close cooperation between parties having specified and joint rights and responsibilities." Cooperation, joint rights and responsibilities—these are the cornerstones of true partnership programs between suppliers and retailers.

When a retailer uses the word partnership as simply a means to get another 2 percent off an invoice and another 2 percent co-op, that is not partnership, that is fraud.

When a retailer is caught in an overbought situation, and the supplier responds, "you bought it, you own it," that is not partnership, that is abuse.

Our industry faces many challenges as we enter the '90s. In my opinion, legitimate working partnerships that consist of the sharing of information, cooperation and a mutual responsibility to satisfy the wants and needs of the American consumers are essential for the success and future growth of our industry.

DSN is proud to announce and salute the 63 manufacturers listed on page 29 as the 1990 annual SPARC Award first ballot winners.

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ISSUES OF THE '90s

ECONOMY

Economy to Pick Up Steam in Mid-'90s

By Richard Mount
Special to DSN

The decade of the 1990s will certainly be the beginning of a bright new world for the economy, consumers and retailers as well.

Trade barriers between the United States and Canada are crumbling, Western European countries are merging their economies to a much greater extent, and the postwar ideological clash between East and West is rapidly giving way to emulation and assimilation. Economic growth, income, and consumer spending in the United States will accelerate after a period of softness for the next 18 months.

The economy of the decade of the '90s will be determined and dominated by the declining D's: slower demographic growth and reduced defense spending. On the positive side, exports, capital spending and consumer expenditures will be on the rise.

As with most transitions, this process will be painful but the outcome will be beneficial for most industries.

Those that successfully make the transition will profit.

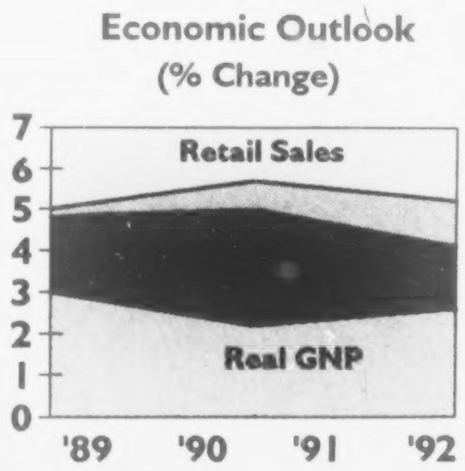
The historic debate between capitalism and socialism/communism appears to be settled. Capitalism has always provided an ever-growing supply of economic goods and services. Even if distribution of wealth was not perfect, its rising tide raised all ships. Socialism promised redistribution, but consumers in its system soon discovered the discrepancy between the living standards of the two systems. Capitalist advertising on television and radio, by reaching over the Iron Curtain, may have been the decisive factor in bringing down the Berlin Wall.

With trade barriers breaking down within the European Common Market and between Western and Eastern Europe,

(Continued on page 140)

GNP growth has slowed in 1990, and with it consumer incomes and buying power

Economic Outlook
(% Change)



CPI: Consumer Price Index
GNP: Gross National Product
Source: Mount Economic Forecasting

Northeast Cools; Rockies to Stay Hot

While the national economy is expected to weather some rough going in the early '90s and eventually emerge stronger than ever, regional markets will share unequally in those fortunes. High-flying markets of the '80s, like New England and the Pacific states, will experience below average economic growth in the '90s, as the Mountain, West South Central and East North Central enjoy a bright decade.

The New England economy is in a near-recession at present. Employment growth is down 0.3 percent from a year ago. Construction, down 10.5 percent, is the major reason for this weakness. Following years of overbuilding, especially of vacation homes, the market must absorb the glut of homes for sale. Residential building permits were off 33 percent last year after being down 22 percent in 1988.

Growth in New England during the 1990s will be below the national average. The region faces a number of long-term problems. Home prices are high, restricting in-migration. Wages are higher than average, making labor less competitive. Major states such as Massachusetts and Connecticut face large deficit problems that will take years to resolve, reducing spending and increasing taxes for much of the decade. Defense spending, important for Connecticut and Massachusetts in particular, will be in decline. Household growth has been slow. Energy prices should rise faster in the coming 10 years than the recent patterns would suggest, making this region less attractive.

High technology will be the economic engine for the region in the 1990s, with export demand rising faster than domestic. The area west and southwest of Boston should do well in this climate. Construction should recover by 1993 and the demand for vacation homes should increase, a plus

(Continued on page 140)